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Nos. 2-11

In the Supreme Court of the United States

OCTOBER TERM, 1944

HARTFORD-EMPIRE COMPANY, ET AL., APPELLANTS

v.

UNITED STATES OF AMERICA

ON APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF OHIO, WESTERN DIVISION

BRIEF FOR THE UNITED STATES ON REARGUMENT

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BRIEF FOR THE UNITED STATES ON REARGUMENT

Pursuant to the Court's order we are confining the argument in this brief to the propriety of the provisions of the judgment.

The judgment depends upon the findings of fact entered by the District Court. We assume that for the purposes of the argument on the judgment we are entitled to take the findings of fact as correct. Although appellants do not expressly challenge this assumption, many portions of their brief are predicated upon facts inconsistent with those found by the District Court. We do not propose to reargue the facts here, although it may be necessary to point out where

appellants have departed from the findings. The Court is respectfully referred to pages 3–184 of our main brief for a full statement of the facts.

I. Reply to Appellants' Preliminary Discussion (Br., pp. 10–18)

Before taking up the decree paragraph by paragraph appellants raise certain preliminary points.

1. THE JUDGMENT WAS LAWFULLY ENTERED

Appellants imply that the judgment was entered summarily, and that it is defective in law because they were not heard as to each of its provisions in substance and form. In its opinion of August 25, 1942, the District Court outlined the main provisions of the judgment (Op. R. 156–160). On September 19 the appellees submitted a proposed form of judgment (R. 7420), and appellants had 12 days in which to prepare for the argument on October 1 (R. 7421, R. 6876–7). The appellants were given a total of four hours to argue questions raised by the proposed judgment and in addition all appellants were given three days to file further objections (R. 6879). The final judgment incorporated a number of suggestions made by appellants.[1]

[1] Compare the original proposed judgment (R. 7422–7459) and the written objections thereto filed by Hartford (R. 7495–7510) and Corning and Empire (R. 7520–4) with the final judgment (R. 7653–92). Appellants objected that the

Appellants claim that the procedure was defective because they were permitted only to challenge the form of the judgment. This is precisely what the rule of the District Court for the Northern District of Ohio provides;[2] the Federal Rules of

proposed judgment applied to foreign as well as domestic patents (R. 7495–6). As a result, paragraph 1 (L) was added to define patents as United States patents (R. 7657). Appellants objected to being compelled to grant licenses to aliens, and paragraph 1 (N) was added defining "applicants" as citizens of the United States, or corporations organized under the laws of the United States or any state or territory thereof (R. 7657). Appellants contended that paragraph 40 should be inapplicable to conduct authorized by the Miller-Tydings Act (R. 7506), and this suggestion was embodied in the judgment (R. 7682). Appellants argued that license fees payable to Hartford should not be earmarked by the Receiver (R. 7498), and this suggestion was adopted (cf. par. 15 of proposed final judgment (R. 7431) with par. 15 of final judgment (R. 7663)). Appellants urged that glass brick should not be included in the definition of glassware (R. 7496), and it was omitted (cf. par. 1 (b) of proposed final judgment (R. 7423) with par. 1 (B) of final judgment (R. 7654)). They contended that the word "intentionally" should be inserted in subparagraphs 40 (1) (a), (b), and (c) before the word "persuade." This suggestion was adopted (cf. par. 40 of proposed final judgment (R. 7447–8) with par. 40 of final judgment (R. 7680–1)). In all, at least 20 suggestions made by appellants were incorporated in the final judgment.

[2] The rule provides (R. 6876): "Settlement of Judgments and Orders by the Court. Within 10 days after the announcement of the decision of the court awarding any judgment or order which requires settlement and approval *as to form* by the Judge, the prevailing party shall prepare a draft of the order or judgment embodying the court's decision and serve a copy thereof upon each party who has appeared in the action and mail or deliver a copy to the Clerk. Any party thus receiving the proposed draft of judgment or order shall

Civil Procedure are not specific on the point.[3] The rule of the District Court permits the unsuccessful parties to contend that the judgment is not a proper means of enforcing the court's ruling, as embodied in the previous opinion, or of complying with the principles of relief there laid down. The record shows that appellants so understood it. Although they did not attack the principles of relief enunciated in the district court's opinion they did attack the judgment as not being in conformity with the opinion (Fol. 13307–84, not printed).[4]

United States v. *American Tobacco Co.*, 221 U. S. 106, upon which appellants rely (Br. p. 12), ordered the District Court to allow a hearing for the preparation of the decree in order to conform

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within 5 days thereafter serve upon the prevailing party and mail or deliver to the clerk a statement of his approval or disapproval *as to the form* of the draft and, in the latter instance, a statement of his objections and the reasons therefor and a draft of the order or judgment which he proposes as a substitute for the draft transmitted to him." (Italics supplied.)

[3] Rule 58 provides: "When the court directs the entry of a judgment that a party recover only money or costs or that there be no recovery, the clerk shall enter judgment forthwith upon receipt by him of the direction; but when the court directs entry of judgment for other relief, the judge shall promptly settle or approve the form of the judgment and direct that it be entered by the clerk."

[4] In its final argument in the district court, Hartford devoted considerable time to the question of relief (Fol. 13191–217, not printed). In addition, after the close of the final arguments it filed a memorandum in the district court dealing with this subject (see Fol. 12820, not printed).

to new principles laid down by this Court on the appeal. The case did not suggest that a decree entered by the District Court itself after a long trial would be invalid in the absence of such a procedure.

2. THE JUDGMENT IS CONSISTENT WITH LEGISLATIVE INTENTION

The argument that the judgment constitutes "judicial legislation" (Br. pp. 12–14) assumes that the failure of Congress to pass certain bills, of general application precludes the courts from giving effect to the principles of *Standard Oil Co.* v. *United States*, 221 U. S. 1, and *United States* v. *American Tobacco Co.*, 221 U. S. 106. In the former case the Court pointed out that in cases of monopolization it was "essential," in addition to enjoining the repetition of the unlawful conduct, that the decree adopt (p. 78)—

> * * * such measure of relief as will effectually dissolve the combination found to exist in violation of the statute, and thus neutralize the extension and continually operating force which the possession of the power unlawfully obtained has brought and will continue to bring about.

Congress has never sought to narrow the courts' power to give effective relief in particular cases—and no inference can be drawn that relief cannot affect appellants' patent rights because Congress has failed to approve proposals for the

same sort of thing for patents generally. See *infra*, pp. 122–6 and Government's main brief, pp. 350–353.

3. THE JUDGMENT IS REMEDIAL, NOT PUNITIVE

The appellants' argument (Br. pp. 14–15) that the judgment is "punitive" assumes that the power of courts of equity "to prevent and restrain * * * violations" of the Sherman Act (Section 4) permits only "enjoining future violations" (p. 14). The passage from the *Standard Oil* case quoted above (p. 5, *supra*) shows that Section 4 has no such limited meaning, and that it permits—and indeed requires—the courts to neutralize the power unlawfully obtained as a result of the monopolization.

The judgment is to be tested by that standard. Although its provisions are not to be justified by reason of any penal effect upon the appellants, but only because of their relation to the restoration of competition in the fields monopolized, provisions appropriate for the latter purpose are not unlawful merely because appellants would be better off financially if the provisions were not imposed. Where necessary, property interests must bow to the accomplishment of the objects of the statute; in *United States* v. *Union Pacific R. Co.*, 226 U. S. 470, 477, this Court stated:

> So far as is consistent with this purpose a court of equity dealing with such combinations should conserve the property inter-

ests involved, but never in such wise as to sacrifice the object and purpose of the statute.

Cf. *L. P. Steuart & Bro., Inc.* v. *Bowles*, No. 793, October Term, 1943, decided May 22, 1944; see cases cited *infra*, footnotes 66–8, pp. 123–4.

4. THE JUDGMENT IS NOT TOO SWEEPING

Appellants attack the decree as "indiscriminate" in nature because it applies to subject matters without the issues of the suit, as well as to all the defendants "in disregard of the non-participation of many of them in violations here charged" (Br. pp. 15–17).

a. Application outside the glass industry

This objection relates primarily to certain language found in paragraph 29. Appellants were advised prior to the filing of their brief that the government was willing to modify this language in an attempt to meet appellants' objection. See pp. 152–3 *infra*.

b. The judgment need not be limited to enjoining future violations of the exact nature as those engaged in by defendants but may well include similar or related acts.

Appellants state that "a decree in equity is intended to enjoin defendants * * * from future violations of the exact nature engaged in by them." (Brief, p. 16.) But in *United States* v.

Bausch & Lomb Co., 321 U. S. 707, 727, this Court recently stated that,

> Of course, a mere prohibition of the precise scheme would be ineffectual to prevent restraints.

National Labor Relations Board v. *Express Publishing Company*, 312 U. S. 426, the most recent decision appellants cite, does not support appellants' contention.[5] That decision holds that a single act in violation of a statute of broad application does not justify an injunction forbidding all violations of the act. But the opinion contains the following statements of controlling principles:

> (P. 435) A federal court has broad power to restrain acts which are of the same type or class as unlawful acts which the court has found to have been committed or whose commission in the future, unless enjoined, may fairly be anticipated from the defendant's conduct in the past.
>
> (P. 436) It is a salutary principle that when one has been found to have committed acts in violation of a law he may be re-

[5] Neither do the other cases on which they rely. *Swift & Co.* v. *United States*, 196 U. S. 375, 396; *New York, N. H. & H. R. Co.* v. *Interstate Commerce Commission*, 200 U. S. 361, 404; *Bliss Co.* v. *United States*, 248 U. S. 37, 48; *Hague* v. *C. I. O.*, 307 U. S. 496. The first two of these cases hold, as did the *Express Publishing* case, that a general command not to violate a statute cannot be predicated upon a single violation; they are cited with approval in the latter case and are entirely consistent with it.

> strained from committing other related unlawful acts.
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> * * * * *
>
> The breadth of the order, like the injunction of a court, must depend upon the circumstances of each case, the purpose being to prevent violations, the threat of which in the future is indicated because of their similarity or relation to those unlawful acts which the Board has found to have been committed by the employer in the past.
>
> (P. 437) * * * To justify an order restraining other violations it must appear that they bear some resemblance to that which the employer has committed or that danger of their commission in the future is to be anticipated from the course of his conduct in the past.

The opinion distinguishes other cases in which broad injunctions were issued on the ground that in them unlawful acts had not been "isolated" but were "persistent attempts by varying methods" (p. 438) to violate the law.[6] The

[6] In many subsequent Labor Board cases an injunctive provision identical with that invalidated in the *Express Publishing* case was upheld when the record showed that the respondent refused to comply with the law in several respects. *Butler Bros.* v. *National Labor Relations Board*, 134 F. (2d) 981 (C. C. A. 7), certiorari denied, 320 U. S. 789; *National Labor Relations Board* v. *Jasper Chair Co.*, 138 F. (2d) 756 (C. C. A. 7), certiorari denied, 321 U. S. 777; *National Labor Relations Board* v. *Kaplan*, 138 F. (2d) 884 (C. C. A. 2), certiorari denied, 321 U. S. 788; *National Labor Relations Board* v. *Air Associates, Inc.*, 121 F. (2d) 586, 592 (C. C. A. 2); *National Labor Relations Board* v.

present case plainly falls within the latter category. And all of the conduct enjoined—whether or not of the exact nature engaged in by the defendants—was similar or related, or of a type that its commission in the future "may fairly be anticipated from the defendant's conduct in the past."

As an example—and presumably the best example—of what they have in mind, appellants refer to Paragraph 29 (f), which forbids granting to any licensee or vendee a "preferential position" in contracts of license or sale. Inasmuch as Hartford had previously only leased its machinery, it had made no sales on any basis (although Lynch had (App. br. p. 29). But, as the record amply shows, through various devices such as provisions in license agreements, Owens, Hazel, Ball and Thatcher had been placed in a highly "preferential position" *vis-a-vis* the remainder of the glass manufacturing industry. See p. 166, *infra*. The conduct prohibited is thus similar and related to that in which defendants had engaged, and certainly of a type which their past conduct indicated might be committed in the future.

Regal Knitwear Co., 140 F. (2d) 746 (C. C. A. 2), certiorari pending, No. 86. Cf. *National Labor Relations Board* v. *Automotive Maintenance Machinery Company*, 315 U. S. 282, *National Labor Relations Board* v. *Electric Vacuum Cleaner Co.*, 315 U. S. 685, and *National Labor Relations Board* v. *Nevada Consolidated Copper Corp.*, 316 U. S. 105, in which, although the point was not raised, Board orders of the same type were upheld.

c. The judgment as to each individual conspirator need not be limited to the enjoining of his own prior unlawful conduct

Appellants urge not only that the judgment must be limited in its effect to the precise conduct engaged in by the defendants, but that each provision of the judgment can apply only to those defendants who had themselves done exactly what that provision forbade.[7]

This contention, which we believe rests upon a fundamental misconception of the law applicable to members of a conspiracy, underlies many portions of appellants' argument. The judgment was framed on the assumption that all conspirators were charged with liability for the conspiracy as a whole—that once their connection with the conspiracy was proved they could be enjoined from engaging in any of the unlawful acts committed by any of the conspirators.

We submit that the theory of the judgment is clearly correct. Each member of a conspiracy is chargeable with the acts of his fellows done in the furtherance of the joint venture.[8] The

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[7] We do not read appellants' argument as to the applicability of the decree to the various defendants as denying that each of them was a party to the conspiracy—that he or it had engaged in some unlawful conduct. Such a contention would go to the propriety of findings of fact, which we assume are not to be reargued. Of course, if this Court should conclude that findings as to any defendant were not adequately supported, the judgment should not be applicable to it or him.

[8] *Northern Kentucky Telephone Co.* v. *Southern Bell Telephone & Telegraph Co.*, 73 F. (2d) 333 (C. C. A. 6), certiorari

relation has been said to be analogous to a partnership.[9] It is not even essential that one conspirator be fully informed as to what the others are doing, or even acquainted with them, if he has knowledge of the general objects of the conspiracy and helps it along.[10] Once a conspiracy is shown to exist the admissions of one conspirator are admissible against the others, on the theory that each is acting on behalf of the others.[11]

The principle that applies for the purpose of determining legal responsibility for a conspiracy applies to the granting of equitable relief.[12] All of the appellants having participated in the conspiracy, each was responsible for the acts committed by the other just as if a formal relationship of principal and agent had existed between them. In framing the judgment the court was not required to treat each appellant as if he had

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denied, 294 U. S. 719; *United States* v. *Woods*, 66 F. (2) 262 (C. C. A. 2); see *United States* v. *Gooding*, 12 Wheat. (25 U. S.) 460, 469; *United States* v. *Anderson*, 101 F. (2d) 325, 332 (C. C. A. 7), certiorari denied, 307 U. S. 625. *Miller on Criminal Law*, p. 114.

[9] See *United States* v. *Kissel*, 218 U. S. 601, 608: "A conspiracy is a partnership in criminal purposes."

[10] *United States* v. *Anderson*, 101 F. (2d) 325, 332 (C. C. A. 7), certiorari denied, 307 U. S. 625; *United States* v. *Crimmins*, 123 F. (2d) 271 (C. C. A. 2).

[11] *United States* v. *Gooding*, *supra*, note 8; *Clune* v. *United States*, 159 U. S. 590; see *Logan* v. *United States*, 144 U. S. 263, 308–9; IV *Wigmore on Evidence* (3d ed.) § 1079.

[12] In equity co-conspirators are jointly and severally liable for profits derived from the breach of fiduciary duties. *Jackson* v. *Smith*, 254 U. S. 586; *McCandless* v. *Furlaud*, 296 U. S. 140, 165.

no connection with the acts of his co-conspirators. It was entitled, on the contrary, to enjoin each of the appellants from repeating any of the unlawful acts for which all of the appellants were jointly responsible and to order each of the appellants to take such affirmative action as might be appropriate to remove the effects of the conspiracy for which they were all responsible. In *Local 167* v. *United States*, 291 U. S. 293, which involved various groups of defendants—marketmen, slaughterers (of poultry), and truck drivers—the injunctions against unlawful activities ran against all the defendants, though clearly each of them had not participated personally in what the group as a whole had done.[13] The evidence did not show, for example, that all the defendants participated in the destruction of the vehicles of non-cooperators, and yet all were bound by the injunction against such conduct.

That provision of the decree was not attacked in this Court—doubtless because of the obvious lack of support for such attack. But it was challenged because it forbade "coercing marketmen to buy poultry, poultry feed or other commodities necessary to the poultry business from particular sellers" (291 U. S., at 299)—when there was no evidence of such coercion except as to coops. The Court sustained the decree on the ground that it

[13] Transcript of Record, Oct. Term 1933, No. 6, p. 75. Compare paragraph 8 of the decree (Tr. 79) with the trial court's findings of fact (Tr. 33 *et seq.*).

properly enjoined acts of the sort shown to have been committed; the lack of specific evidence as to feed and the like was said to provide "no adequate ground for striking out the clause or for limiting it to a mere specification of the coops" (*ibid.*) If a decree may bind all the defendants to restrain illegal acts committed by none of them, it certainly can restrain all from engaging in the unlawful conduct of some of the conspirators.

Another principle, even more far-reaching, illustrates the extent of the power of a court of equity to grant effective relief. In *Local 167* v. *United States* the conduct enjoined was all illegal. But when necessary, in order fully to "eradicate the evils of a condemned scheme" a court may strike down conduct otherwise lawful. *United States* v. *Bausch & Lomb Co.*, 321 U. S. 707, 724; *United States* v. *Univis Lens Co.*, 316 U. S. 241, 254; *Ethyl Gasoline Corp.* v. *United States*, 309 U. S. 436, 461. Cf. *Purity Extract Co.* v. *Lynch*, 226 U. S. 192, 201–202.[14] If this is so, a court plainly has the lesser power to make its injunction against the unlawful acts of the conspirators apply to all of them.

We shall show, in the discussion of the various paragraphs of the judgment, that it is appropriate that all of the provisions apply to each of the

[14] The District Court applied this doctrine in its opinion (R. Op. 158), since it recognized "that a license and lease system may be perfectly legal and just if properly used." (See pp. 56–57, *infra*.)

corporate appellants.[14a] Even if they should not repeat their illegal conduct, as presumably they will not in view of the injunctive provisions of the decree, the dominance which they have presently achieved as a result of the conspiracy would give them a tremendous advantage over competitors, which can be neutralized only if each is required to make generally available any patents it may possess and otherwise to comply with the judgment. The same is true as to the individual defendants who guided the corporations in their unlawful activities; obviously it would be dangerous to place them in any better position than the corporations. For further consideration of the liability of individuals, see pp. 37–40, *infra*.

5. THE PROVISIONS OF THE JUDGMENT ARE NOT INCONSISTENT

Appellants contend (Br. pp. 17–18) that the judgment contains many inconsistent provisions. Examination of the paragraphs referred to will disclose that no such inconsistency exists.

II. REPLY TO APPELLANTS' STATEMENT AS TO THE "GENERAL APPLICATION OF JUDGMENT" (BRIEF PP. 20–45)

In their discussion of the general application of the judgment appellants argue that the pro-

[14a] Many of the provisions of the judgment do not apply to the Glass Container Association defendants.

visions of the judgment applicable to each defendant should be limited in scope to what that particular defendant did. We have already shown that this contention ignores the rule that each member of a conspiracy is chargeable with the conduct of all and not merely with his individual acts and accordingly that he may properly be enjoined from repeating the unlawful acts that have been committed by any other member of the conspiracy. That question has been treated at pp. 10–15, *supra*.

Inasmuch as most of this portion of appellants' brief is based upon their erroneous theory as to the liability of conspirators, it is unnecessary to take up the various contentions in any detail before coming to the separate paragraphs of the judgment. Some of the points they make, however, warrant separate consideration.

A. THE EFFECT OF THE JUDGMENT ON HARTFORD

Hartford argues that although the district court refused to order its dissolution, various provisions of the decree have that effect. Examination of the items upon which Hartford relies will indicate the insubstantiality of this claim. The contention is based in large part on the existence and operation of the receivership (Brief, pp. 22, 23, Items 1, 2 and 6).

If the judgment is reversed, the effect of the receivership will have been to have caused royalties to be paid pending this appeal which would

otherwise not have been received. If, on the other hand, the judgment is affirmed, the judgment provides (Par. 15) that Hartford is to be compensated for the services rendered to its licensees. This amount is to be paid out of royalties collected from licensees. The royalties are now "earmarked" in a separate account held by the Receiver. The Receiver has predicted that this amount "should be sufficient to repair any depletion in Hartford's cash and assets".[15] Unless Hartford is to be dissolved the receivership in all probability will be terminated shortly after the judgment becomes final. (See pp. 41–55, *infra*.)

Hartford also refers (Brief, p. 23, Item 5) to the provisions requiring sales of its machines as proof that the decree in practical effect forces its dissolution. To reach this result Hartford declares that the judgment requires sales to be "on confiscatory terms". But the judgment (Paragraph 22) definitely requires the sales to be at "reasonable prices". See pp. 62–66, *infra*.

The remaining specific items referred to by Hartford as showing that the judgment will result in its dissolution are the provisions cancelling the contracts and making its present patents royalty free (Brief, p. 23, Items 3 and 4).

Although terminating Hartford's income from the unlawfully obtained patents and the illegal contracts and licensing system, the judgment per-

[15] See Report of the Receiver filed in the district court August 28, 1944, p. 27. See *infra*, p. 44.

mits Hartford to remain in business as a servicing and research organization, to sell machinery, and to obtain reasonable royalties on future inventions. These should furnish an adequate income and incentive to maintain the business—at least if Hartford is as valuable to the industry as it continues to proclaim. If, however, the business cannot exist on this basis, if its legal operations cannot pay their own way, it must be because in fact the enterprise was profitable only as a result of the amounts extracted from the industry by reason of Hartford's monopolistic position.

B. CORNING'S OBJECTIONS

The essence of Corning's objections is that unlike the other glass-manufacturing appellants it is solely engaged in the noncontainer industry which is "not competitive with the container industry" (br. p. 38); that its sole connection with its other alleged co-conspirators arose "because of a 1922 agreement with Hartford involving the limited cross-licensing of noncompeting patents" (Ex. 19, R. 8606A) which "had as a practical matter no perceptible effect in the container industry" (br. 38–39); and that since the cancellation of the 1922 agreement—to which it consents (br. p. 39)—effectively separates the noncontainer industry and the noncontainer-defendant from the container industry (br. p. 40), any further relief granted in the judgment "has no valid application to Corning" (br. p. 44).

Corning's objections rest upon a misconception of the basis of the final judgment, adopted by the district court to destroy the power of appellants obtained through the unlawful aggregation of patent rights. The court found that defendants had restrained and monopolized the production of various items of glassware—both containers and noncontainers—by means of their control of patents and machinery used to produce those items of glassware (R. 7401). In its conclusions of law, the district court stated (Concl. 49, R. 7412–3): "Hartford, Owens and Corning are violating Section 2 of the Sherman Act in that they are monopolizing both patents * * * and machines for the production of glassware." Thus the court made no distinction between containers and noncontainers; the monopolization, it found, was of the *machines*. Many of these machines can be used in the production of both containers and noncontainers. See pp. 28–29, *infra*.

The court, having found that defendants monopolized the use of certain machines, it sought in the judgment to neutralize this monopolistic control.[16] The fulcrum upon which the judgment

[16] In its opinion the district court said (Op. R. 158–9): "Any future system for the distribution of automatic machinery must be put on a basis of outright sale at reasonable prices. This is to include machines made under all of the patents and applications for patents owned or controlled by all the defendants herein and involved in this suit. In addition, all the defendants shall be required to license anyone, royalty free, in the manufacture of machines embodying

rests is the definition of "machinery used in the manufacture of glassware." The provisions of paragraph 24 providing for the compulsory licensing of certain patents, are confined to patents covering "machines and methods used in the manufacture of glassware," as defined in Paragraph 1 (F) to 1 (K) and 1 (M) (R. 7656). Those definitions are no broader—indeed they are more limited and precise—than the definitions adopted by Hartford and Corning in their 1922 Glass Contract.[17] Those definitions—used by the parties themselves in the Glass Contract—included, for example, the ribbon machine (Ex. 1763, item 1 (a), R. 14249), the inclusion of which in the Court's definition Corning now brands as "wholly unjustifiable" (br. 43), on the ground that it is "exclusively a Corning invention" (br. 42). Assuming, *arguendo,* that this latter assertion is correct, it is nevertheless irrelevant.[18]

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these patent rights. This will include all patent rights relating to the suction machine, feeders, forming machines and lehrs."

[17] Ex. 19, Art. III, Sec. 7, R. 8619, provides: "The words '*Machine Rights*' means rights in patented inventions as and when applied to machines or apparatus and processes, for blowing, pressing or drawing ware of the given Ware Division, or feeding molten glass for such ware." Had the district court adopted the definition used by Hartford and Corning in the Glass Contract, it is probable that appellants would have attacked it as being too broad (compare br. 48–50).

[18] The assertion is not correct. Hartford contended that its so-called Howard auto-blow patent covered essential

Corning participated in a conspiracy to obtain patents used to control glass making machinery. The power thus obtained was extended to control the manufacture and distribution of unpatented glassware. Defendants effected a division of fields; glass making machinery, capable of use in the container or non-container fields, was licensed for use in either field but no licensee was ever given a license for both fields. See Govt. main br. pp. 27–33. Not only was Corning one of the principal conspirators, but (through Empire) it had a substantial stock interest in Hartford itself (id., p. 30).

This division of fields was articulated in the 1922 Glass Contract between Hartford, Corning and Empire Machine. That contract allotted Corning exclusive rights in all the machine inventions of each of the parties for the manufacture of bulbs, tubing and cane, etc. (Ex. 19, Art. IV, Secs. 5–8, R. 8624–6). To Hartford, the contract gave exclusive rights in the machine inventions of Hartford, Empire and Corning (except for Corning's reservation of a shop right for its own inventions) insofar as they could be used to make containers (Ex. 19, Art. IV, Secs. 3, 11–14, R.

features of the ribbon machine (see Govt. main br., p. 182). Corning in 1940 thought Hartford's contention to have sufficient merit to have Hartford transfer this patent to it (*ibid*).

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8623, 8627–8628) and paste mold ware."[19] Although Corning has used the ribbon machine primarily to manufacture bulbs as appellants assert (br. pp. 42–43) it has also used it to make tumblers (paste mold ware) which were sold to packers to be filled with their products, thus becoming containers.[20] Since, therefore, the ribbon machine was used to make containers, Hartford has the exclusive right to that use, save for Corning's shop right.

But even if we assume, *arguendo,* that *Corning's* patents were not used to exclude container manufacturers from Corning's share of the non-container field, on ordinary principles of the law of conspiracy Corning is responsible for the acts of Hartford by which *Hartford's* patents were used to exclude the container manufacturers from that field. Corning asserts that if this be so only the Hartford patents which have been misused can be subjected to compulsory royalty-free licensing; that Corning patents covering the ribbon machine can not be subjected to the same

[19] *Ibid.* But it was provided that Hartford could not grant a sub-license in the paste-mold field under Corning's machine inventions "for the making of any given article which is, at the time of making said grant, being commercially supplied by Corning Company." (Ex. 19, Art. IV, Sec. 14, R. 8628.)

[20] F. 77, R. 7292–3; Ex. 19, Art. III, Sec. 1, R. 8618, Ex. C6119, R. 8570. See also R. 3353. In the final argument in the district court Corning admitted (Fol. 12898, not printed):

"Corning * * * has never made containers, excepting tumblers; and it has sold some of those tumblers, mostly to dairies or to cheese makers in order to put cheese in them.

requirement since they have never been misused to exclude container manufacturers from Corning's field (br. pp. 40–42). This contention fails to recognize Corning's responsibility for the acts of Hartford in furtherance of the conspiracy. It was because of the limitations placed upon Hartford by Corning in the Glass Contract that Hartford was unable to license its patents for use in Corning's field. Corning used its own patents to establish this division of fields and agreed with Hartford that it should use its own patents for the same purpose. Corning is in the same position as if it were the owner of the Hartford patents as well as the patents on the ribbon machine. Corning must be considered as if it had directly entered into license agreements with each of the Hartford licensees which provided, in consideration of a license under Corning's and Empire's patents for the container field, that each licensee agreed not to use the licensed inventions to manufacture ware in Corning's field, thus restraining trade in that field. Under these circumstances, these agreements would be clearly illegal. *Morton Salt Co.* v. *Suppiger Co.*, 314 U. S. 488; *Mercoid* v. *Mid-Continent*

That is the only way that *it is in the container field.*" [Italics supplied.]

Compare the statement in the appellants' brief (p. 41) that "Corning's patented machines were never successfully adapted to the manufacture of containers" with F. 77, R. 7292, that the ribbon machine was used by Corning to make containers.

Co., 320 U. S. 661; *National Lockwasher Co.* v. *George K. Garrett Co., Inc.*, 137 F. (2d) 255 (C. C. A. 3, 1943); *Blount Mfg. Co.* v. *Yale & Towne Mfg. Co.*, 166 Fed. 555 (D. Mass., 1909); *National Harrow Co.* v. *Hench*, 83 Fed. 36 (C. C. A. 3, 1897). Corning would be restraining trade in the unpatented ware in violation of the antitrust laws. For the same reason that Hartford is required to license its patents, Corning should be subjected to the same relief.

Quite apart from its legal responsibility for the acts of Hartford as a co-conspirator, it should be noted that the same stockholders who control the majority of Corning's stock also control 43% of Hartford's stock. See Govt. main br. p. 30.

The district court found that Corning's exclusive license in the Glass Contract kept Hartford licensees from entering Corning's field, just as other provisions in the contract kept Corning from manufacturing containers, despite the desires of both groups to enter the field of the other (F. 57–59, R. 7290; F. 103, R. 7296).[21] Doubtless this accounts for the perpetuation of the distinction between containers and non-containers from which Corning now seeks to draw support.

[21] Appellants' statement (br. 39) that the 1922 Glass Contract "had as a practical matter no perceptible effect in the container industry" is therefore contrary to the findings of fact.

It is significant that numerous other Hartford licensees do engage in the manufacture of those items of non-container ware as to which Corning did not enjoy exclusive rights under the 1922 Glass Contract.[22] It is for this reason that the assertion—so oft-repeated by Corning—that the container and non-container industries are non-competitive is irrelevant.

Access to the market for the purchase of the *machines* used to manufacture both classes of glassware was monopolized by the appellants, including Corning; it is that market, as well as the market for glassware, which the judgment seeks to free from monopolization and restraint by Corning and the other appellants. There is, therefore, no reason for excluding from the judgment, Corning or any of its patents or its "machinery used in the

[22] See Govt. main br. pp. 30–33, 53–54. For example, Owens (through its subsidiary, Libbey Glass Company (R. 3343)) and Anchor Hocking are large manufacturers of drinking tumblers and other table ware (R. 3347, R. 2894, R. 3359), both of which are non-container items (Ex. 1568, R. 8038). Federal Glass (R. 3346, 3351) and Knox (R. 3349–3350) also manufacture tableware.

Appellants Owens, Hazel, Ball, and Thatcher object to injunctions against various activities involved in the manufacture and sale of non-containers on the ground that they (br. 26) "are engaged with insignificant exceptions solely in the manufacture of glass containers". The annual non-container business of Owens alone amounts to approximately five and one half million dollars (R. 3356–7; Cf. Ex. 782, R. 7930A, R. 7930B)—hardly "insignificant." Hazel has 32 Miller presses for the manufacture of tumblers and tableware (R. 5619).

manufacture of glassware," as defined therein (R. 7656).[23]

C. EFFECT ON THE OTHER APPELLANTS

The arguments as to the other corporate appellants are premised largely on the theory that none can be responsible for what the others have done. The same is true as to the individual appellants, except that Collins, Fulton, Fisher, and Dilworth reargue the merits of the findings that they have violated the law. The latter point is discussed in our main brief, pp. 303–311.

III. Reply to Objections to the Particular Paragraphs of the Judgment

PARAGRAPH 1—DEFINITIONS

Paragraph 1 of the judgment defines "glass containers," "non-container ware," "glassware," "corporation," "subsidiary," "machinery used in the manufacture of glassware," the various types of such machines, and "methods." Appellants assert that most of these definitions are too broad and that, since they are embodied in the substantive provisions of the judgment, they improperly extend its scope. We shall discuss the definitions

[23] Corning complains that the Government objected to the introduction of certain evidence to demonstrate the various uses of heat-resistant glass, and quotes from the record (br. 43–44). But the quotation in the brief stops just short of the court's statement admitting this evidence over the Government's objections (R. 5591). Corning was, therefore, in no way prejudiced by the objection.

challenged in the order in which appellants have dealt with them.

No objection has been made to subparagraphs (A), (E), (L), and (N).

Subparagraph (C)

Subparagraph (C) defines the term "glassware" to include both "glass containers," as defined in subparagraph (A), (R. X, 7654) and "non-container ware," as defined in subparagraph (B) (R. X, 7654–5). Many of the substantive provisions of the judgment use the word "glassware" as thus defined. Appellants object that these provisions should not apply generally both to container and non-container ware, but should apply to each class as warranted by the facts and to the particular defendants who have acted unlawfully as to the one class or the other. It is asserted that only Hartford was found to have restrained trade in both fields, that Corning and Empire alone were interested in non-containers, and the remaining defendants in containers.

This contention proceeds on the assumption, previously shown to be unfounded (*supra*, pp. 10–15), that each member of a conspiracy is liable only for his own particular contributions to the common plan.

Furthermore, the barrier between the container and non-container fields was artificially created by the conspiracy itself. Appellants have engaged in a conspiracy with respect to patents covering

inventions embodied in machinery used in the manufacture of glassware and with respect to machinery used in the manufacture of glassware. One of the results of that conspiracy has been to effect a division of fields under patents owned by the conspirators and as a consequence a division of fields in the use of glassware machinery. By means of the reciprocal restraints created by the division of fields under patents, glassware machinery capable of use in both the container and the non-container fields could be used in either field, but was not permitted to be used in both fields. Corning was precluded from using glassware machinery in the container field, and Hartford and all of its licensees, including the remaining corporate defendants, were precluded from using glassware machinery in the non-container field (*supra,* pp. 19–25).

The line of demarcation between containers and non-containers is sometimes very fine and may depend upon the use to which the article of glassware is to be put (Hartford Answer, paragraph 29, R. 378; Owens Answer, paragraph 29, 179). For example, a tumbler is a non-container if it is to be used for drinking purposes; it is a container if it is to be sold to a packer to contain foods such as cheese, jam or peanut butter (R. 3353). Although "there is no one universal machine that will make all kinds of ware" (R. 6604), the same feeder, stacker and lehr can be used in the manufacture of both container and non-con-

tainer items (cf. R. 4590). In many cases the same forming machine can be so used simply by making minor adjustments and by substituting one set of molds for another.

Appellants argue that the government did not prove that any of the defendants, other than Corning, Empire or Hartford, restrained or monopolized trade in non-container ware (Br. 26, 46) or that Corning restrained or monopolized trade in container ware (Br. 38–45). They accordingly object to the application of the judgment to all of the defendants for all items of glassware, whether containers or non-containers. But the fact is that this was one conspiracy and not two, and that it was deliberately designed to affect both containers and non-containers. The distinction between container and non-container glassware was enforced by the conspirators; it should not be confirmed and perpetuated by the judgment. In any event, in view of the fine distinction between containers and non-containers and the fact that they both can be manufactured with the same machinery, they may certainly be classified as "related commodities" under the ruling in *Local 167* v. *United States, supra,* pp. 13–14.

Subparagraph (B)

Subparagraph (B) of Paragraph 1 defines "non-container ware" as including all glass products other than containers (as defined in subparagraph (A)) and "flat glass, fiber glass, structural glass, glass brick and products made

therefrom " (R. 7654). In addition, subparagraph (B) lists a great many products included within the definition. Appellants object that the list includes many products as to which no violation of the law was found (br. p. 47).

This is true as to some of the products. But the products listed as to which no prior unlawful conduct had been shown can be made on machines the same as or similar to those used in the manufacture of products which appellants do not deny are properly within the decree. And since this suit is bottomed mainly on the unlawful control of the machines, it is reasonable to make the judgment apply to all products of those machines.

As we have shown *supra,* pp. 7–10, a judgment may properly extend to matters similar or related to the defendants' illegal activities. In *Local 167* v. *United States,* discussed *supra* pp. 13–14, the decree enjoined coercion with respect to poultry feed and the like although there was evidence only as to coercion in respect to coops. The same principle applies to the various types of non-container ware which can be made with the machines involved in this suit.

Subparagraph (D)

Subparagraph (D) states that when reference is made to a corporation, it

> shall be deemed to include, in addition to the corporation referred to, any corporation engaged in the manufacture of glass-

> ware or of machinery to be used in the manufacture of glassware which (a) is controlled, directly or indirectly, through stock ownership or otherwise by the corporation referred to or (b) is a subsidiary, successor, parent, or subsidiary of a parent of the corporation referred to.

This provision is designed to prevent evasion of the decree through the use of corporations controlled by, affiliated with or related to the appellant corporations. Provisions such as the one in this subparagraph have not been infrequent in antitrust decrees. See *United States* v. *Great Lakes Towing Co.*, 1 Decrees and Judgments in Federal Antitrust Cases, 253–254 (N. D. Ohio, 1915); *United States* v. *The Pullman Co.* (Civil Action No. 994, E. D. Pa., 1944); *United States* v. *Vehicular Parking, Ltd.* (Civil Action No. 259, D. Del., 1944). See also paragraph 5 of the decree in *United States* v. *The Terminal Railroad Association of St. Louis*, 1 Decrees and Judgments in Federal Antitrust Cases, 96–100.

Appellants complain that this clause might extend in perpetuity to corporations related to appellant corporations in the manner described, and that (Br., p. 48) "the alleged sins of the defendants are thus to be visited upon corporate parents, and upon corporate children unto the third and fourth and all succeeding generations". But the reproductive power of corporations is not subject to the same biological limitations as that of human beings; corporate parents may

produce many generations of progeny within a few days when the motive is sufficient—and if the judgment did not extend to all corporate devices which appellants might invent its purposes might easily be defeated.

Appellants also attack this subparagraph on the ground that it would apply to all the activities of corporations in the electrical and food processing businesses if they also engaged in some incidental glassware manufacture and purchased or were purchased by the corporate defendants. But the provisions of the judgment (except for Paragraph 29 (a) which we have conceded may be modified in this respect) apply only to activities covered in the complaint—the manufacture and distribution of glassware and glass-making machinery. So long as corporate appellants operate in this field, they should be subject to provisions of the decree, whether they operate through new companies which they may hereafter form or buy or whether their own stock is owned by some other company. The hypothetical cases which appellants envisage supply no reason for changing this definition in the judgment.

Subparagraphs (F) to (K) and (M)

These subparagraphs define the various types of machines employed in the manufacture of glassware. Appellants object that the definitions are too broad in that they extend to all types of glass-making machinery, including future ma-

chinery and methods, and not merely to those particular machines involved in the evidence in this case, and also because the provisions of the judgment affecting each defendant are not limited to the machinery involved in the transactions participated in by that defendant (br. pp. 48–50).

These contentions are inconsistent with the general principles discussed *supra,* pp. 7–10. Appellants apparently concede that under the doctrine of *Local 167* v. *United States,* 291 U. S. 293, a judgment may extend to "related" machines. See pp. 7–10, 13–14, *supra.* All of the machinery included in the definition is related to that which the appellants are shown to have controlled and misused. The conspiracy covered the entire glass machinery industry, and it would be ineffective to leave appellants free to deal as they please with machines not precisely the same as those involved in their previous misconduct.

The definitions of glassware-making machinery should be broader than existing machinery, in order to give the Government effective relief. Appellants own patents and applications which may cover inventions not embodied in existing machinery (see pp. 206–207, *infra*). If the definition of glassware-making machinery is limited to existing machinery, defendants might manufacture machinery under their existing patents and applications which would not fall within the definition.

The contention that some of the appellants are

improperly subjected to those provisions of the judgment which cover all types of glassware-making machinery, because they are adjudicated to have restrained trade in less than all of the types of such machinery, is without merit. The over-all conspiracy related to all types of glassware-making machinery, and any appellant adjudged to have engaged in the conspiracy may properly be enjoined from performing acts similar in character to those performed by another co-conspirator, even though the appellant enjoined did not itself perform such acts. This point has been considered more fully at pages 10–15, *supra*.

The Corning ribbon machine

Appellants object to the inclusion of the Corning ribbon machine within the definition of forming machines for reasons stated earlier in their brief. The reason for including the ribbon machine is set forth at pages 20–22, *supra*.

Other federal statutes

Under the heading "Improper nullification of federal acts," appellants argue (Br. p. 52) that paragraph 1 of the judgment does not exclude conduct authorized under the Emergency Price Control Act (56 Stat. 28, 50 U. S. C. App., Supp. III, Sec. 905), the Miller-Tydings Act[24] (50 Stat.

[24] The original Hartford brief (p. 172n) correctly notes a specific exception in Paragraph 40 of the judgment with respect to Miller-Tydings Act activities of the corporate defendants.

693, 15 U. S. C., Sec. 1), the Small Business Mobilization Act (56 Stat. 357, 50 U. S. C. App., Supp. III, Sec. 1112), the Webb-Pomerene Act (40 Stat. 517, 15 U. S. C., Sec. 62), and the Patent Statute (35 U. S. C., Sec. 47). Appellants do not point out how the judgment contravenes any of these laws. Moreover, appellants have made no showing that they have ever availed themselves of any of the rights available under these statutes. A reference to the statutory provisions cited will show that they do not authorize conduct forbidden by the present judgment.

PARAGRAPH 2—JURISDICTIONAL STATEMENT

Paragraph 2 of the Judgment (R. 7657) states that the court has jurisdiction of the subject matter and that the complaint sets forth a cause of action. Appellants have no objection to this paragraph (br. p. 53).

PARAGRAPHS 3–8—ADJUDICATIONS THAT DEFENDANTS HAVE VIOLATED THE SHERMAN ACT

These paragraphs of the judgment declare that defendants have violated the Sherman Act. Paragraph 3 states that all of the defendants have violated Sections 1 and 2 of the statute. Paragraph 4 declares that all but the Glass Container Association and those associated with it have monopolized and restrained trade with respect to patents covering glassware machinery and in the manufacture and distribution of the machin-

ery. Paragraph 5 states that Corning, Hartford and Empire and the individuals associated with them have monopolized and restrained trade with respect to the manufacture of certain types of non-container glassware, and Paragraph 6 states that the other defendants have monopolized and restrained trade with respect to the manufacture of container ware. Paragraph 7 contains a similar declaration with respect to Hartford, Owens and Thatcher in the manufacture of milk bottles, and Paragraph 8 with respect to Hartford, Owens, Hazel and Ball in the manufacture of fruit jars.

Such declarations are customary and proper in antitrust decrees.[25] If the court's findings that the defendants have acted in violation of the Sherman Act are upheld these adjudicatory provisions are justified.

Appellants' general attack, on the ground that some of the defendants did not individually engage in the conduct specified (Br. pp. 54–57), raises the point considered *supra*, pp. 10–15.

Paragraph 5 should be modified, as conceded in our main brief (p. 327), so as (a) to confine to heat-resistant ware the adjudication that Corning, Hartford, and Empire, with the individual

[25] E. g. *Northern Securities Co.* v. *United States*, Oct. Term 1903, No. 277, Tr. p. 1714; *United States* v. *Standard Oil of New Jersey*, Oct. Term 1910, No. 398, Tr. p. 525; *United States* v. *American Tobacco Co.*, Oct. Term 1910, Nos. 118 & 119, Tr. p. 329; *United States* v. *Univis Lens Co.*, Oct. Term 1941, No. 855,Tr. p. 683; *United States* v. *Bausch & Lomb Optical Co.*, Oct. Term 1943, Nos. 62 & 64, Tr. p. 60.

defendants associated with each, "have monopolized" trade in violation of Section 2 of the Sherman Act; and (b) to exclude laboratory, paste mold and electrical ware from the adjudication of attempted monopolization by such defendants.[26]

Corporation officers can be enjoined as individuals for what they have personally done

In the argument as to these paragraphs appellants assert that the adjudications as to the individual defendants are invalid, apparently on the theory that an individual who is an official of a corporation cannot be held personally liable even for what he himself has done (Br. pp. 57–63).

The individual defendants here were found themselves to have engaged in the proscribed activities. They were named in the complaint as individual defendants, and not merely as officers of their corporations. Clearly individuals who restrained trade and monopolized through the corporations they controlled themselves violated the Sherman Act.[27]

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[26] Appendix I (*infra*, pp. 240–249) contains proposed revisions of each of those paragraphs of the judgment which the Government concedes require modification.

[27] *United States* v. *Winslow*, 195 Fed. 578, 581 (D. Mass.), affirmed on other grounds, 227 U. S. 202; *Patterson* v. *United States*, 222 Fed. 599, 631–633 (C. C. A. 6), certiorari denied, 238 U. S. 635; *United States* v. *Corn Products Refining Company*, 234 Fed. 964, 1018 (S. D. N. Y.), appeal dismissed, 249 U. S. 621; *United States* v. *Swift*, 188 Fed. 92, 98 (N. D. Ill.); *Mayo* v. *Dean*, 82 F. (2d) 554, 556 (C. C. A. 5).

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This is not a "new rule," as appellant suggests (Br., p. 58), but an application of the accepted principle that an agent is personally liable for his own acts. *Restatement of Agency,* § 343; Mechem, *Outlines of Agency* (3rd Ed., 1923) § 391, *et seq.; Hopkins* v. *Clemson College,* 221 U. S. 636, 643. This rule applies to corporation officers and directors as well as to other agents. 3 Fletcher Cyc. Corp. (Perm. Ed.) §§ 1135, 1137. It has often been held that the persons who manage corporate affairs cannot escape liability for unlawful acts in which they have personally engaged merely because they acted on behalf of the corporation.[28]

Section 14 of the Clayton Act (15 U. S. C. § 24) provides for the criminal punishment of officers and directors and agents of a corporation "who shall have authorized, ordered, or done any of the acts" constituting a violation of the antitrust law. This section did not embody

[28] See the cases cited in the preceding footnote, and *Tyler* v. *Savage,* 143 U. S. 79; *McCandless* v. *Furlaud,* 296 U. S. 140, 165; *Federal Trade Commission* v. *Standard Education Society,* 302 U. S. 112, 119–120; *National Cash-Register Co.* v. *Leland,* 94 Fed. 502 (C. C. A. 1); *Saxlehner* v. *Eisner,* 147 Fed. 189 (C. C. A. 2), certiorari denied, 203 U. S. 591; *Claude Neon Lights, Inc.,* v. *American Neon Lighting Corp.,* 39 F. (2d) 548 (C. C. A. 2); *Hitchcock* v. *American Plate Glass Co.,* 259 Fed. 948 (C. C. A. 3); *Denominational Envelope Co.* v. *Duplex Envelope Co.,* 80 F. (2d) 186, 194 (C. C. A. 4); *Barry* v. *Legler,* 39 F. (2d) 297 (C. C. A. 8); *Northwest Theatres Co.* v. *Hanson,* 4 F. (2d) 471 (C. C. A. 9); *Robert Findlay Mfg. Co.* v. *Hygrade Lighting Fixture Corp.,* 288 Fed. 80 (E. D. N. Y.); 14A C. J., 175.

any new principles,[29] but merely insured that such persons will not escape criminal punishment. It furnishes strong confirmation, however, for the view that Congress wished to make it perfectly clear in this field that individual corporate officials were to be personally responsible for their own conduct.[30] If this is so on the criminal side, no different intent would exist with respect to suits for injunctions.

The fact that the individuals did what they did as officers and directors does not mean that they can only be enjoined in those capacities. An injunction against a corporation may bind all of its officers, directors and agents, even those who have engaged in no wrongdoing, so long as they act in behalf of the corporation. But no such limitations apply to the individual wrongdoers themselves, merely because they use the corporation to accomplish their ends. Thus if a person induces a corporation to adopt a policy of making false representations, the injunction properly runs against him as well as against the corporation, so that he may not become free to engage in the same or similar misconduct if and when he leaves the company.[31]

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[29] The *Winslow*, *Patterson* and *Swift* cases, *supra*, note 27, p. 37, held corporate officers criminally liable for violation of the Sherman Act before the Clayton Act was enacted. See 51 Cong. Rec. 16293.

[30] H. Rept. No. 627, 63rd Cong., 2d Sess. p. 20; S. Rept. No. 698, 63 Cong., 2d Sess, p. 17.

[31] Of the cases cited in notes 27 and 28, *supra*, the *Corn Products*, *Saxlehner*, *Claude Neon* and *Denominational*

Appellants argue that individuals can be responsible only if they have carried out a criminal violation of the act "with knowledge of its illegal nature" (Br., p. 60). If persons intend to engage in certain conduct it is immaterial whether they know it is illegal.[32] It is well established under the Sherman Act that defendants are chargeable with the consequences of their acts regardless of intent. *United States* v. *Patten*, 226 U. S. 525, 543; *Addyston Pipe & Steel Co.* v. *United States*, 175 U. S. 211, 243; *United States* v. *Reading Co.*, 226 U. S. 324, 370. Section 14 suggests nothing to the contrary.

Whether the evidence sufficiently connects the individual defendants with a conspiracy depends upon whether the evidence supports the findings as to each person, a question which we assume is not to be treated on the reargument. If it does, he is properly enjoined.

Envelope cases involved suits for injunctions and the *Standard Education* case involved a cease and desist order.

[32] This is even true when a statute requires that a violation be "willful" before it may be punished—a provision often applicable to criminal cases but not to enforcement in equity. Compare Fair Labor Standards Act, Sections 16 and 17 (29 U. S. C. §§ 216 and 217). "The word 'willful,' even in criminal statutes, means no more than that the person charged with the duty knows what he is doing. It does not mean that, in addition, he must suppose that he is breaking the law." *American Surety Co.* v. *Sullivan*, 7 F. (2d) 605, 606 (C. C. A. 2). Cf. *United States* v. *Illinois Central Railroad Co.*, 303 U. S. 239. The Sherman Act does not even require that a violation be knowing or willful.

PARAGRAPH 9

The government agrees to the elimination of this paragraph, as stated in its original brief (p. 328).

PARAGRAPHS 10–20—THE RECEIVERSHIP

Hartford assails the paragraphs of the judgment establishing the receivership (Br. pp. 65–73). It contends (1) that there was no reason for establishing the receivership, (2) that the operation of the receivership has been ruinous to Hartford, and (3) that the receivership is likely to be of indefinite duration.

1. The establishment of the receivership

The reasons for establishing the receivership are set forth in the District Court's opinion, as follows (R. Op. 157):

> First, as pointed out heretofore, important steps and changes have been made by Hartford during the pendency of this suit and without the knowledge of the court. Some of these have involved heavy financial obligations upon the part of Hartford, and were made for the advancement of the interests of the companies involved. For example, Hartford recently transferred three important patents to Corning. The court feels that this was done for the obvious purpose of continuing Corning's monopolies regardless of the outcome of this suit. Second, the court believes it

absolutely necessary to prevent any further abuse of the patent privileges of Hartford and any further violation of the law, and, under the circumstances disclosed by the evidence, the court feels that this can only be done through court officers. It has already been pointed out that while the defendants have taken certain steps which they believe abolish the practices complained of by the Government, they insist that these practices are not unlawful. Hence there is no assurance that different steps designed to accomplish the same ends will not be taken. Third, the court feels it necessary to conserve the assets of Hartford and to preserve the status quo. Pending an appeal and final determination of the issues in this case, the receivers are directed to take over the management of Hartford and continue to operate under the present contracts and agreements of Hartford in its licensing and lease system. The funds received from the Hartford licensees are to be set aside and specially ear-marked as coming from each licensee. Upon confirmation of this decree by the Supreme Court, the funds so collected and set aside are to be returned to the various licensees without interest. In this way the court feels that Hartford is protected as much as possible and no appreciable injury will result.

Only the third point mentioned by the court below needs amplification. It was not unreasonable to anticipate, in view of the court's ruling

as to the illegality of the Hartford licensing system, that licensees would refuse to pay royalties during the period—now two years—in which the case was pending on appeal. Even with many of the provisions of the judgment stayed *pendente lite,* as they were, Hartford would have had great difficulty in reestablishing its former position if it were successful in the appeal to this Court. The importance of the receivership as a protection to Hartford during the interim period cannot be underestimated.

We think that the power of the district court to appoint a receiver under the circumstances of the instant case cannot be questioned either for the pendency of the appeal or for some time thereafter. *United States* v. *American Tobacco Co.,* 221 U. S. 106, 166; *United States* v. *Great Lakes Towing Co.,* 217 Fed. 656, 661 (N. D. Ohio), appeal dismissed, 245 U. S. 675, *1 Decrees and Judgments in Federal Antitrust Cases,* 253; *Columbus Packing Co.* v. *State,* 100 Ohio St. 285, 126 N. E. 291 (1919). Cf. *United States* v. *International Harvester Co.,* 214 Fed. 987, 1001 (D. Minn.), appeal dismissed, 248 U. S. 587; *Securities and Exchange Commission* v. *Fiscal Fund,* 48 F. Supp. 712 (D. Del.).[22a] Furthermore, the appointment or removal of a receiver rests

[22a] In *United States* v. *Columbia Gas and Electric Corporation,* consent decree filed January 29, 1936, in the District of Delaware; *United States* v. *Fox Theatres Corporation, et al.,* consent decree entered April 15, 1931, and supple-

in the sound discretion of the trial court. *Milwaukee & Minnesota R. Co.* v. *Soutter,* 154 U. S. 540. As might be expected, the courts have held it proper to appoint a receiver in order to protect property pending an appeal. *Jones* v. *Wakeeney State Bank,* 100 F. 2d 879 (C. C. A. 10, 1939); *Scales* v. *Grassman,* 264 S. W. 136 (Tex. Civ. App., 1924).

2. The operation of the receivership

The operations of the receivership between September 1, 1942, and June 30, 1944, are described in a report filed by the Receiver with the district

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mental decree entered July 10, 1931; *United States* v. *Rand Kardex Bureau, Inc., et al.*, consent decree entered December 9, 1926; *United States* v. *Swift & Company*, consent decree filed February 27, 1920, in the District Court for the District of Columbia; and *United States* v. *Lehigh Valley Railroad Company*, decree in contested case entered November 7, 1923, the District Court appointed trustees to hold, vote and dispose of shares of stock which the decree required the defendants to sell.

In *United States* v. *Joseph Leibner, et al.*, Equity No. 37–319 (S. D. N. Y.) consent decree entered July 2, 1926, the Court ordered the defendant to transfer title to two railroad cars to a special master appointed by the Court for the purpose of disposing of them.

In *United States* v. *Reading Company, et al.*, decree in contested case entered June 6, 1921, the final decree provided for the creation of a new corporation and for the issuance of the stock of that corporation to trustees appointed by the Court. The trustees were required to see that the shares of stock were distributed in accordance with the further provisions of the decree. The stock of other companies were also required to be turned over to trustees appointed by the Court.

court on August 28, 1944. This discloses what has been done since the entry of the judgment, and the manner in which the Receiver, as officer of the court, has performed and interpreted his duties. The report makes it unnecessary to speculate as to how the receivership was to operate. Copies of the report will be submitted to the Court with this brief.

a. Enforcement of the judgment

The first purpose of the receivership—the prevention of further action by Hartford with the object or effect of circumventing the decree and of preventing the neutralization of the conspiracy—was achieved in large part through the mere existence of the receivership. Although in general the Receiver permitted the business to be operated by its officers as before, he undertook to pass upon all disbursements and contracts and thus made sure that Hartford acted in full compliance with the judgment and the law.

b. Protection to Hartford

The Receiver's Report states that the "main work of the receivership" (p. 7) has been "to conserve the business and assets of Hartford, and to preserve the *status quo* pending an appeal and the final determination of the issues in this case" (*ibid.*). Many licensees "expected to receive immediately the benefits of the court's decision" (p. 9) that Hartford's license and leasing system violated the antitrust laws and was unlaw-

ful. They were in doubt as to whether to continue to pay royalties. Letters from the Receiver directed them to do so, "pending final action of the Supreme Court," but "many conferences and voluminous correspondence" were necessary "to convince some of the licensees that the cancellation by the court of the license and lease agreements did not become immediately effective" (*ibid.*). A number of licensees, including two of the largest, at first refused on advice of counsel to pay royalties; in some instances only after the Receiver declined to furnish needed equipment did they "capitulate" (Report, pp. 9–10). The report states (pp. 12–13) that "although the critical period was the first few weeks of the receivership, it has been necessary from time to time, even down to the present date, to assert the full authority of a court officer in order to collect the royalties." In addition (p. 13), "the Receiver has had a difficult time with renewals of expiring license and lease agreements. In order to maintain the *status quo* and to continue the business of Hartford-Empire Company, the Receiver has had to insist that expiring license and lease agreements be renewed according to their terms or that the machines covered by such agreements be returned to the Receiver. * * * Two of the largest licensees and several of the smaller concerns vigorously resisted" these efforts. At the present time Ball is contesting, on the basis of this Court's decision in the *Hazel-Atlas* case,

the payment of royalties on Ball feeder production (pp. 13–14).

Without the receivership, many of the licensees would have refused to pay any royalties to Hartford; and it is likely, as the Receiver feared (Report, p. 10), that the remaining licensees would have followed their example. For Hartford to have sued for the royalties *pendente lite* would have brought on a flood of litigation. In the interests of the orderly administration of justice, it was desirable to avoid a multiplicity of suits and to maintain the *status quo* pending appeal. Furthermore, efforts to repossess the machines leased under the illegal contracts would have been inconsistent with the primary goal of the judgment—the restoration of competition in the glass industry.

c. Paragraph 15

Hartford's principal attack on the operation of the receivership relates to the Receiver's activities in compliance with Paragraph 15 of the judgment. This Paragraph requires the Receiver to set aside and earmark royalties paid by the various licensees, and if the judgment is affirmed by this Court, to return the amounts paid to each licensee,

> less any amounts paid out by the Receiver for the benefit of any such licensee and properly chargeable and allocable to any such licensee.

(1) *No dissipation of assets.*—Hartford persists in construing this Paragraph as requiring "compulsory dissipation" (Br., p. 71) of its assets and capital. In maintaining this position Hartford calls attention to the depletion of its general funds—its cash—during the period of the receivership, but ignores the existence of the much larger earmarked fund and its conceded right to a part of it even if the judgment is affirmed.[33]

The Receiver's report shows that Hartford's cash fund was reduced from $3,297,420 on August 31, 1942, to $1,304,906 on June 30, 1944, a total of $1,992,513 in twenty-two months, or an average of $90,568 per month (pp. 21–22). For the same period $11,594,933 was paid in to the earmarked fund by the licensees (pp. 41–43), in addition to $1,594,509 from Hazel which was specially impounded.[34] This amounts to over $6,000,000 per

[33] Appellants also attack paragraph 15 on the ground that it confiscates the property of Hartford's stockholders, "an overwhelming majority" of whom, according to appellants, "did not participate in the transactions alleged herein to violate the antitrust laws" (Br. 71n). Although this may be literally true, it gives a wrong impression, since as of December 31, 1939—the most recent date for which information is available in the record—approximately 56% of Hartford's outstanding shares were held by sixteen defendant appellants in this case (Ex. 1583, R. 8095) and an additional 16.1% was held by Beech-Nut Packing Company (Ex. 1583, R. 8097), which was a party to the Agreement for the Formation of Hartford (Ex. 16, R. 11943) and whose President, appellant Bartlett Arkell, was for years Chairman of Hartford's Board of Directors (U. F. 527–8, R. 7381–2).

[34] This appears from the list of licensees (Report, pp. 39–41) and from the statement of Hazel's contribution to the

year, or over $500,000 per month, excluding the Hazel royalties. If the judgment is reversed all of this sum will be available to Hartford (subject to Hazel's rights to one-third under the 1932 contract), and there will have been no depletion of its resources at all; indeed, the benefits which it will have derived from the Receiver's aid in collecting the royalties will have been great. If the judgment is affirmed Hartford will still be entitled to recover, under the last clause of Paragraph 15, quoted above, the cost of its services to its licensees, and any other charges, including research and development, allocable to the licensees.[35]

The decrease in Hartford's cash has not resulted from the operation of the business by the Receiver at a loss, but from the segregation *pendente lite* of the earmarked funds and the fact that the amounts deductible from the latter under the last clause of Paragraph 15 have not yet been determined. The Receiver's report states (p. 27) that he contemplates filing a petition requesting the

impounded fund (p. 51). Of this $1,594,509, one-third or $531,503 would be returnable to Hazel under the 1932 agreement.

[35] Perhaps also, as we suggested in our main brief (p. 409), Hartford should be paid a rental for the use of its machines (but not of its patents) until title to the machines passes to the licensees in accordance with the terms of the judgment. The Receiver's report shows that Hartford received $1,196,013 as "Earned Machine Rentals" under the receivership (p. 46). Whether additional rentals should be collectible might depend upon whether the previous contracts required the licensees in substance to pay the value of the machines as such, in addition to the other charges based upon the patents.

court to hold a hearing to decide the amounts to be deducted. The Receiver predicts that the value of the services rendered the licensees will be sufficient to enable the depletion in Hartford's cash and assets to be repaired (*ibid.*).

We do not know, of course, how much will be deducted from the earmarked funds for this purpose. But it should be noted that if Hartford can show that 20% or less of the amount earmarked has been used for the benefit of the licensees, Hartford's cash position will not have been depleted at all.

(2) *Hartford's right to the earmarked funds.*— Hartford also contends that it should receive all the earmarked funds, that is, the full amount of the royalties, on the theory that so long as the licensees are permitted to keep the machines they should pay the full contract price for them. This argument might be persuasive if the contracts had not been unlawful, and if the major portions of the contract price had not been paid either for the protection of Hartford's umbrella against price cutting in the industry or as a forced contribution to a patent combination which had entrenched itself in an unassailable position until its violations of the law, including fraud upon the courts, were revealed in this case.[28]

That the licensees were paying primarily for these intangible "assets" of Hartford and not to defray the cost of servicing and research is ap-

[28] See *Hazel-Atlas Glass Co.* v. *Hartford-Empire Co.*, No. 398, 1943 Term.

parent from the record of Hartford's income and expenditures. Counting the earmarked royalties and the impounded royalties from Hazel, Hartford's income was $15,628,000 for twenty-two months (Receiver's Report, p. 46, 51);[37] deducting for the Hazel-Atlas participation would reduce the total to $11,640,000 (Report, p. 46). During the same period Hartford's operating expenses were $4,372,226, excluding litigation expenses (mainly this case), the cost of the receivership, and several minor items—and $5,079,180 if the latter items be added (p. 47). The last figure leaves a net profit before federal taxes of $6,727,501 for twenty-two months (*ibid.*). This would amount to $3,669,546 net profit per year, as against total costs of $2,770,462 per year and capital stock valued at $3,944,925 (p. 45). These figures show plainly that the licensees have not been paying for Hartford's services to them, that is for the cost of those services and a reasonable profit on such cost, but because of Hartford's unlawfully acquired patent monopoly.

Hartford's objection is (Br. p. 69) that it is performing its license contracts as usual, "fur-

[37] The Receiver's Report (p. 46) calculates the income without taking into account the Hazel royalties, presumably because Hazel's royalties were separately impounded. But if the Hazel-Atlas participation is deducted, the royalties from Hazel-Atlas (shown on p. 51) should also be included in the computation. If this is done the income would be increased by $1,594,509 (p. 51). This would increase the Hazel participation by one third of this amount, which should be deducted.

nishing machines embodying patented inventions, repair parts, improvements,[38] commercial developments, laboratory services, statistical and engineering surveys and the like, and that the licensees should be required to perform in full by paying a full royalty.[38] The Receiver makes charges for repair parts and some engineering services and these funds are not earmarked (Judgment, par. 15, R. 7663–4; Receiver's Report, p. 46). Under paragraph 15 of the judgment Hartford can be compensated for the amounts expended on most of the remaining items to the extent that they were furnished "for the benefit" of, and "properly chargeable and allocable" to the licensee (R. 7664). As for the "machines embodying patented inventions" and "improvements", in so far as they represent physical machinery, Hartford must be paid a "reasonable price" under paragraph 22 of the judgment (see *infra*, pp. 62). This leaves only the item of patented inventions. Since it rests upon an unlawful foundation there is no basis in law for the claim that the licensees should be required to pay the full amount of the royalties to Hartford. The contracts were illegal and Hartford might not have been able to recover any of the royalties. The purpose of the receiver-

[38] The fact is that under its standard license agreement, Hartford is only obligated to furnish, at the market price, parts applying improvements to the licensed machines (Ex. H, 5795, R. 9675, R. 9679).

ship in requiring the earmarking of the royalties was to maintain the *status quo* pending appeal, not to require the industry to pay Hartford millions of dollars which it would not otherwise have received or been able to recover.

3. The duration of the receivership

Hartford objects that the receivership is of an indefinite duration (Br., p. 65). This fear has no foundation. The Government has previously so stated (main brief, p. 408), the trial judge has clearly implied that he does not expect the receivership to be of long duration,[*] and the receiver himself has referred to "the temporary receivership" (Report, p. 38).

The date of termination of the receivership is controlled by Paragraph 19 of the judgment, which provides:

> Said Receiver shall continue to remain in control of defendant Hartford-Empire Company and all of its assets and other property until the Court is: (1) satisfied that violations of the Sherman Antitrust and Clayton Acts by defendant Hartford-Empire have ceased; (2) satisfied that its orders in this case have been carried out by defendant Hartford-Empire Company; and (3) satisfied that there no longer remains a reasonable probability that the practices found illegal by it will be re-

[*] See his order printed at p. 53 of the Receiver's report.

sumed by defendant Hartford-Empire Company.[40]

The first two of the above requirements will have been fulfilled when the lease-license system is completely abrogated, all new agreements, contracts and licenses required by the judgment have been entered into, and the earmarked and impounded funds distributed. Hartford itself can insure early performance of the first clause by ceasing to do what the injunction forbids. The second clause obviously applies only to those portions of the decree which require specific and affirmative action when the decree becomes effective or within a specified time thereafter, not to conduct in the indefinite future.[41]

The third clause we believe was not intended to be read as manifesting an intention that the re-

[40] The remainder of this paragraph of the judgment reads as follows:

"If, at any time, the Receiver or the Attorney General concludes that the provisions of this decree are not operating to eliminate the practices of Hartford-Empire Company found by this Court to be illegal, the Receiver shall, upon application to the Court, and on notice to the Attorney General of the United States and to Hartford-Empire Company, or the Attorney General, on notice to Hartford-Empire Company and the Receiver, shall submit a plan or plans for the dissolution of Hartford-Empire Company."

[41] For example, the general agreements with respect to the granting of licenses to all applicants which appellants are required to make under paragraph 24, if they are not to be enjoined from engaging in the distribution of machinery or of glassware in interstate commerce, must be filed with the Clerk of the district court within 30 days from the effective date of the decree.

ceivership endure for a long period after affirmance by this Court, if the Hartford officials show that they are seeking in good faith to comply with the decree. If they do what the court has ordered, the third clause will presumably be satisfied, so long as they are not attempting to circumvent or evade the decree or defeat its objects by indirection. The past history of their operations certainly justified the trial court in taking the possibility of such tactics into account. Punishment for contempt in such circumstances would not serve effectively to insure the restoration of competition in the industry and the neutralization of Hartford's power.

If no such conduct occurs and if Hartford ceases to violate the law and enters into the arrangements required by the judgment, the Government would expect the receivership to be terminated as soon as the earmarked and impounded funds can be distributed.

PARAGRAPH 21—PROHIBITION OF LEASING

Paragraph 21 enjoins all the defendants (except the Glass Container Association defendants) while engaged in the business of distributing glass-making machinery in interstate commerce, from leasing the machinery or otherwise distributing it by means other than an outright sale for cash or on credit for not more than two years (R. 7665–6).

The extent of the Hartford leasing system and the manner in which it was used to restrain trade

are indicated in the following findings of fact:[48] F. 39, R. 7285; F. 134, R. 7305; F. 249–266, R. 7331–5; F. 311, R. 7345; F. 447–9, R. 7368–9; F. 465, R. 7371; F. 470, R. 7372; F. 492, R. 7375.

Objection is made to this paragraph (Br. pp. 74–77) on the ground that the leasing of property is a "normal and legitimate" (Br. p. 75) incident of ownership, and that it is improper to do more than to enjoin Hartford from leasing as part of an illegal conspiracy and to forbid specific unlawful provisions in Hartford's leases.

The District Court recognized "that a license and lease system may be perfectly legal and just if properly used" (R. Op. 158). But, its opinion goes on,

> However, in the instant case, there has been a deliberate abuse and misuse of that system; and the court believes that there will be further abuses in the future, as long as there is a semblance of that system remaining. It is the opinion of the court that this entire system must be abolished.

This determination was in accordance with principles approved by this Court in *Ethyl Gasoline Corp.* v. *United States,* 309 U. S. 436, and *United States* v. *Univis Lens Co.,* 316 U. S. 241.

[48] The citation in this brief of findings of fact and conclusions of law in support of particular paragraphs of the judgment is not in every case intended to be all-inclusive or exhaustive inasmuch as the entire judgment is based upon the findings and conclusions as a whole.

In those cases the Court struck down completely the defendants licensing systems because of the unlawful manner of their use. Similarly in *United States* v. *Bausch & Lomb Co.*, 321 U. S. 707, the Court sustained the cancellation of both valid and invalid price maintenance contracts because the system as a whole was unlawful. The Court there stated (p. 724) that—

> Equity has power to eradicate the evils of a condemned scheme by prohibition of the use of admittedly valid parts of an invalid whole. *United States* v. *Univis Lens Co.*, 316 U. S. 241, 254; *Ethyl Gasoline Corp.* v. *United States*, 309 U. S. 436, 461. Cf. *Standard Oil Co.* v. *United States*, 221 U. S. 1, 78; *United States* v. *Union Pacific R. Co.*, 226 U. S. 61, 96, 470, 476–77; *Aikens* v. *Wisconsin*, 195 U. S. 194, 205–6.

This is a clearer case than any of those cited for the application of these principles.

The leasing of the Hartford machines was the heart of Hartford's licensing system. Hartford could thereby control the licensees through its power to repossess the machines. The leasing practice also gave Hartford a colorable but specious legal justification for imposing restrictions upon the licensees, an excuse which would not have been available if it had sold the machines outright.

Hartford's power to deprive licensees of the leased machinery for violation of the terms of

the lease-license agreements, was the power to exclude them from the glass industry. Even with compulsory licensing, a continuation of the power to deprive licensees of the leased equipment would maintain in Hartford's hands the power so seriously to affect a licensee's business as to continue Hartford in a position of dictatorship over the industry. Compulsory licensing protects outsiders from the threat of infringement suits and relieves present licensees of the burden of royalties, but it entitles no one to the use of the equipment which has been distributed by Hartford.[42] The threat of the removal of existing Hartford equipment is a serious one to the present Hartford licensees, who comprise substantially the entire existing glassware industry.

The use of the leasing device in this industry places in the hands of the lessor the power to restrain trade. The power that title to the machinery would give Hartford over the industry was early recognized,[43] and the transfer of the title of the allegedly infringing machinery to Hartford was almost invariably insisted upon as a

[42] Hartford had also taken title to almost all other types of feeders, and then leased them back to their former owners, as part of its plan to control all of the machinery in the industry (see Govt. main br. pp. 18–19).

[43] H. K. Smith of Hartford wrote in 1928, "In order to retain more complete control of the situation, we retained title to the machines * * *" (Ex. 395, R. 13002). The letter is quoted at greater length in our main brief, pp. 22–23.

condition precedent to any grant of a license by Hartford (see Govt. main Br., pp. 18–19). The power over the industry inherent in the leasing practice, which has been so plainly recognized by the conspirators themselves, could not be disregarded by the district court. It termed the licensing system "the greatest abuse" (R. Op. 158). While the court undoubtedly gave weight to the value of the development, research and services rendered by Hartford, it properly concluded that the power over the industry inherent in the leasing practice is fraught with such dangerous consequences that appellants should be stripped of that power. The fact that the leasing practice may have been of some advantage to some small glass manufacturers who were not required to engage in research on their own account—and who were also protected by Hartford's price umbrella[44]—is not entitled to decisive weight as against the continuation of Hartford's control over the industry. The argument advanced by the appellants that small glassware manufacturers would be under a severe financial handicap if they had to buy their machines instead of leasing them (br. 75–76) is specious. The license fee exacted by Hartford from these manufacturers approximated the cost of the machines. The real financial bur-

[44] That the manufacturers who have filed a brief as *amicus curiae* supporting Hartford were largely interested in Hartford's support of the price structure is indicated by the letter quoted at p. 152, n. 76, *infra*.

den upon the licensees existed in the royalties they were compelled to pay. Furthermore, Lynch sold its machines to the same small manufacturers whom the appellants would have the Court believe could not buy such machines. Paragraph 23 of the decree, it should be noted, permits sales on credit for a two-year credit term.

The leasing practice cannot be considered in isolation; its effects must be appraised by considering it in connection with the illegal Hartford licensing system. Though appellants assert that the right to lease is a proper and ordinary incident of ownership, they concede that the exercise of that right may be prohibited when it has been abused in furtherance of a conspiracy. If the exercise of that right can ever be prohibited, it should be prohibited in this case, where the leasing practice is established to have been the sanction for the licensing system with all its illegal restrictions—the means by which the conspiracy to control the glassware industry in all of its ramifications was carried out.

The suggestion of appellants (Br. p. 78) that a retention of paragraph 21 in its present form is possible only on the theory that defendants, having violated the antitrust laws, "may be punished by depriving them of a normal competitive right," namely, the right to lease, disregards the basis for paragraph 21. The prohibition against leasing is designed not to punish for a past viola-

tion of the antitrust laws but to afford the public adequate relief against the illegal licensing system and the illegal patent pool. It is particularly designed to prevent the appellants from using patents on machines, processes, and methods to monopolize and to restrain trade and commerce in unpatented glassware. *United States* v. *Univis Lens Co.*, 309 U. S. 436; *Ethyl Gasoline Corp.* v. *United States*, 309 U. S. 436, 461. In *United States* v. *Pullman Co.*, 50 F. Supp. 123 (E. D. Pa.), the Pullman Company, which had insisted on a strict leasing system and had previously refused to sell its cars to the railroads, was directed by a three-judge court to sell used sleeping cars to the railroads.

Appellants argue that the defendants other than Hartford should not be bound by this paragraph. The danger of the use of the leasing system by these appellants as an instrument to acquire control of the industry, if and when they enter the business of distributing machinery, warrants the extension of the prohibition against leasing to them. This paragraph is merely designed to prevent them from setting up a licensing and leasing system to take the place of that which they combined with Hartford to establish. The contention that each provision of the judgment should apply only to the particular defendant who engaged in the conduct treated therein is answered at pp. 10–15, *supra*.

PARAGRAPH 22—SALES OF EXISTING MACHINES

Paragraph 22 (R. X, 7666) enjoins Hartford and the individual defendants associated therewith from engaging in the distribution of glass-making machinery in interstate commerce unless Hartford and its receiver offer to sell to Hartford lessees the Hartford machines now in the possession of the lessees. The paragraph provides that the offer to sell the Hartford machines shall be "at reasonable prices." It also provides that in determining what price shall be "reasonable", there shall be taken into consideration license or other rental fees, and the royalties, if any, previously paid to Hartford for the use of inventions embodied in the machinery. If a dispute over the price arises, the price is to be determined by the court.

This paragraph is suppported by the same findings of fact cited in support of paragraph 21 (*supra*, p. 56), and in addition by the following: F. 478–481, R. 7373–4.

This paragraph is supplementary to Paragraph 21. If the leasing system is to be prohibited, some method must be found for disposing of Hartford's machines now used throughout the industry. If Hartford were permitted to repossess the machines, this would give it the power to destroy many of the existing lessees. The only alternative is to require Hartford to sell the machines to its present licensees.

Hartford could, of course, sell new machinery, or the same machinery after repossession, but the present licensees should not be disadvantaged in this respect. Competition in the industry cannot be restored if they are deprived of the only manufacturing equipment available.

Appellants characterize the paragraph as confiscatory—even though it requires that Hartford be given a reasonable price. Hartford's fears on this score are based on the clause providing that in determining the reasonable price at which Hartford shall sell to the lessees Hartford equipment now in their hands under lease, there shall be taken into consideration the license fees and royalties theretofore paid to Hartford by the lessee. The language of paragraph 22 does not state that the license fees and royalties are to be deducted from the value of the machines plus a reasonable profit in determining what should be a reasonable price. It is merely required that these factors shall be taken into consideration. This would presumably mean that if any amounts, in the forms of license fees or otherwise, are proved to have been paid for the physical value of the machines as such [46] and not merely for the use of the patented invention or as reasonable rentals for the period during which the machines were used, they might be deducted. But this would not vitiate the standard of "reasonable prices", inasmuch as it

[46] The original license fees usually amounted to at least 85% of the cost of the machine (Exs. H5801-2, R. 15454).

would be unreasonable to allow Hartford to be paid more than once for the same machine. Obviously the general policy against confiscating property does not give a person the right to more than a fair price, or to make an additional charge solely because of his unlawful monopoly. What a fair valuation for those machines will be cannot now be ascertained; but there is no warrant for inferring that the price will be confiscatory. If the court should ever fix a price which appellants deem confiscatory, they will have a proper remedy at that time.

It is objected (Br. p. 79) that Paragraph 22 places on the lower court, and on this Court on appeal, the burden of approving the selling price of leased Hartford machines if a disagreement over that price arises. But such a provision is essential for Hartford's protection if its machines are ordered to be sold.

Appellants' contention (Br. p. 79) that the royalty rates were not excessive is irrelevant. The royalties, which Hartford had no right to collect at all in view of the unlawful nature of its conduct, constituted a burden upon the industry (see Govt. main br. pp. 19–20). The district court found that Hartford's *income* from royalties was excessive (F. 481, R. 7314), and contentions about the reasonableness of the *rates* of royalties carry little weight in view of the fact that Hartford was able to share its income, derived largely from royalties, with Hazel and Owens, and yet make excessive

profits. If the royalties were as reasonable as contended, Hartford will obtain a higher price for its machinery.

Appellants' assertion (Br. pp. 79–80) that Hartford, through its leasing system, exercises no improper control over the licensees refers to the situation as it was modified by Hartford after the complaint was filed (F. 516–17, R. 7379–80), though the assertion is not true even of the situation as modified (F. 517, R. X, 7380). Hartford's power to dominate the industry is not destroyed so long as it owns all the machinery, regardless of the changes in the terms of the leases it has made under the compulsion of this litigation.

The suggestion (Br. p. 80) that even if Hartford does exercise improper control through the leasing device, the remedy is cancellation of the illegal provisions of the lease, rather than a forced sale of Hartford's machines, also ignores the relationship between the remedy against the leasing practice and the remedy against the illegal patent pool. Once the decision was made to leave the Hartford organization and patents intact, Hartford could not be allowed to remain in the leasing business, and to give adequate relief, the court below was under a practical compulsion to require Hartford to sell its machines. Accordingly, in the circumstances of this case, the cancellations of the illegal provisions in the Hartford leases would fail to afford the public adequate relief.

The argument (Br. pp. 80–1) that this paragraph is contrary to antitrust principles against the transfer of property between defendants or at inadequate prices has no merit. The cases cited [46] do not remotely suggest that a transfer at a *reasonable* price would be improper. And many of the licensees are not defendants, so that the doctrine of *pari delicto* cannot be applicable.

PARAGRAPHS 23 AND 25—REQUIRING SALES OF MACHINERY WITHOUT DISCRIMINATIONS

Paragraph 23 (R. 7626–7) is applicable to all the defendants save the Glass Container Association and the individuals connected therewith. It enjoins them from distributing glassmaking machinery in interstate commerce unless they file with the clerk of the court a written offer to sell such machinery to all applicants, at reasonable and equal prices, and upon reasonable and equal terms and conditions of sale. No obligation is imposed to sell to an applicant without proper credit standing, unless he offers to pay cash, and changes in price structure based upon a change in economic or market conditions are not prohibited, if at least 30 days notice of any such price change is first given the glassware industry.

Paragraph 25 applies to all the defendants except the Glass Container Association and the

[46] *Harriman* v. *Northern Securities Co.*, 197 U. S. 244; *Northern Securities Co.* v. *United States*, 193 U. S. 197, 355, 357; *Standard Oil Company* v. *United States*, 221 U. S. 1, 78–79; *United States* v. *American Tobacco Co.*, 221 U. S. 106, 185.

individuals associated therewith. It prohibits discrimination among glass manufacturers through the use of exclusive or partially exclusive requirement contracts relating to glassmaking machinery. It also prohibits the defendants from agreeing, conspiring or combining with anyone for the purpose of delaying or obstructing the furnishing of such machinery to an applicant.

These paragraphs are supported by the same Findings of Fact cited in support of paragraphs 21 and 22 (*supra*, pp. 56, 62) and of paragraphs 29 (a), (b), and (f) (pp. 155, 166, *infra*).

The warrant for these provisions lies in Hartford's use of its power to exclude for unlawful purposes. To permit Hartford to discriminate between prospective purchasers of machinery would enable it to continue its policy of favoring those cooperating with it and to perpetuate its control of the industry. By a refusal to sell to a particular corporation, or an insistence on an unreasonable price, Hartford might effectively force a prospective purchaser out of business.

The record is replete with evidence of Hartford's accomplishment of its objectives through the granting of preferential treatment to certain manufacturers and through refusing to deal with others. It achieved these results by licensing only manufacturers previously in the glassware industry (F. 453 R. X, 7370); by licensing manufacturers previously in the industry to make only the types of articles they had previously made (F. 455,

R. X, 7370); by licensing only selected glassware manufacturers (F. 451, R. X, 7369); by refusing to license glassware manufacturers who used their own glassware (F. 452, R. X, 7369); by licensing each licensee to make only specific articles of glassware (F. 451–2, R. X, 7369); by placing restrictions on the use to which the glassware might be applied (F. 468, R. X, 7371); and by limiting the number of feeders allotted to a licensee, F. 468 (R. X, 7371).

Hartford has likewise persistently discriminated in favor of certain of its larger licensees. It has discriminated, for example, in favor of Ball Bros. (F. 392, 394, 427, R. 7360, 7366); Corning (F. 62, R. 7291); Hazel-Atlas (F. 224, 227–8, 394, 427, R. 7327, 7360, 7366); Liberty Glass (F. 413, R. 7363); Owens (F. 123–4, 394, 403, 412–15, 427, 429, R. 7303–4, 7360, 7362, 7363, 7366); and Thatcher (F. 402, 403, 412–13, R. 7361–7363). These facts fully establish the existence of restraints of the general character that paragraphs 23 and 25 are designed to dissipate.

Hartford contends that persons ordinarily have the right to select their own customers and fix their own price terms without these restrictions. This is true. But when lawful means have been used for an unlawful end, the wrongdoer may be deprived of the right to continue the same practices in the future. It will obviously be insufficient to enjoin the repetition of such dis-

criminatory conduct only when committed "pursuant to such a conspiracy," as Hartford suggests (Br. p. 85). For Hartford need not conspire any longer to maintain the dominant position which it and the other appellants have established. The conspiracy has achieved its goal, and the power to discriminate may be exercised to protect the defendants' domination and policies without further provable agreements between them. In order to grant effective relief, the means employed by the conspirators must be forbidden to the individual conspirators. For a case in which this was done, see the judgment in *Local 167* v. *United States*, 291 U. S. 293 (Transcript of Record, No. 6, Oct. Term 1933, p. 78–81, par. 7–8).

Hartford asserts (Br. p. 85) that for four years it "has been supplying its machinery to all responsible applicants under limited licenses and pursuant to standard license terms." The same assertion is repeated later (Br. p. 101). But on December 27, 1940, after this case was brought and within the past four years, appellant Pease, in charge of Hartford's licensing (R. 3233), wrote to a feeder applicant (Ex. 597, R. 13210):

> Our position regarding newcomers into the industry is not a bit different than the position we have always taken—namely, a new venture must have adequate paid-in capital, good management, experienced personnel and sponsors with a sincere desire to enter the glass business to become a con-

structive factor, as opposed to a promotional scheme or purely a nuisance.

Hartford has granted no licenses to newcomers to the industry in the last four years. (*Cf.* Receiver's Report dated August 28, 1944, pp. 39, 41, and Ex. H. 5750, R. 15436.)

Lynch contends that since it distributes only forming machines, it should be excluded from the requirements of these paragraphs. Lynch's assertion that throughout its history it has sold its machines outright on uniform terms in competition with Hartford and others ignores the fact that Lynch agreed to sell forming machines only to persons having a Hartford license (see Govt. main br. pp. 131–6).

These paragraphs are properly extended to the defendants, other than Hartford and Lynch, because they have participated in the conspiracy to utilize the Hartford licensing system to effect the discriminations which are shown to exist. See pages 10–15, *supra*. They were in large part the beneficiaries of Hartford's and Lynch's discriminatory practices.[47]

[47] An objection is made (Br. p. 35) to the language of paragraph 23, in that it would seem to prohibit any defendant from engaging in the distribution of machinery until all the defendants ("they and each of them") agree to comply with the paragraph's requirements. (See the 11th line from the bottom of page 16 of the reprint of the judgment, which appellants have submitted to the Court.) This was obviously not intended, and the quoted phrase should be replaced by "he or it." (See Appendix I, *infra*, pp. 241.)

PARAGRAPH 24 (a)—THE PROVISIONS OF THE JUDGMENT THAT REQUIRE APPELLANTS TO GRANT ROYALTY-FREE LICENSES UNDER THEIR PRESENT PATENTS TO ALL APPLICANTS ARE APPROPRIATE AND PROPER MEASURES OF RELIEF

Paragraph 24 (a) of the judgment enjoins each of the defendants, except the glass association defendants from distributing glassware or glass-making machinery in interstate commerce unless he or it agrees to license all applicants royalty free for the life of the patents under all of his or its patents and pending applications relating to machinery and methods used in the manufacture of glassware.

Paragraph 24 (a) is supported by the following Findings of Fact and Conclusions of Law: Findings, 84, 99, 109–114, 137, 140, 141, 150, 155–165, 177, 232–234, 270, 281, 282, 289, 298, 351, 450–6, 478–496; Concls. 47–50, 68; R., 7294, 7296, 7298–7301, 7306–7307, 7309–12, 7315, 7328, 7336, 7338–7340, 7342, 7352; 7369–7370, 7373–7376; 7412–7413, 7416.

A. The corporate appellants dominated and monopolized the glass industry by a combination of patents to which all of them contributed

The most important problems faced by the District Court in framing the judgment resulted from the fact that the appellants' control of the glass industry rested on a combination of patents. This combination did not consist solely of the patents owned outright by Hartford. It included patents owned by the other corporate

appellants which were used to advance the purposes of the combination. Thus, it was a part of the appellants' plan that the patents relating to the suction process should be pooled under the ownership or control of Owens (see Gov't main br., pp. 53, 59, 105–6) and that the patents relating to machinery to produce ware such as bulbs, tubing and cane, and ovenware should be pooled under the ownership or control of Corning (*id.*, pp. 24–25; 27–33).

Furthermore, various methods in addition to ownership were used to tie patents to the combination: In some instances the corporate defendants deprived themselves of the power to grant licenses to others by giving Hartford or Owens exclusive licenses (*id.* pp. 31–32, 55, 105–6, 130–1); in some instances Hartford was given a first refusal of any patents that a corporate defendant wished to sell or license (*id.* p. 155); in other instances the licenses to Hartford, although nonexclusive in form, were exclusive in fact because there was a tacit understanding that the licensors would grant no other licenses (*id.* pp. 104–5, 113–7); in still other instances the corporate defendants achieved the purpose of the combination by not granting licenses under any of their patents to persons who were not parties to the combination (*id.* pp. 19, 416–17). In many cases the purposes of the combination were effectuated not by express agreements but by tacit understandings and gentlemen's agreements (*id.*

pp. 58, 104–5, 113–114, 140, 151–6, 321–6). In forming and carrying out the combination, the appellants deliberately acted in the belief that by combining a large number of patents they could achieve a concentration of power far in excess of the power that could be achieved by the reliance on any single patent (*id.* pp. 162–4). In the words used by appellant Brown (R. 4010), counsel for Hartford, at a conference in 1925, they were acting on "* * * the mosaic theory, according to which as many patents as possible will be treated as a group" (Ex. 1732, R. 14206).

The record does not show the exact number of unexpired patents in the combination at the date the judgment was entered. The record does show that at one time or another during the life of the conspiracy the corporate defendants contributed patents to the combination as shown in the following table: [a]

Hartford, 591 patents [a]
Corning (through Empire), 48 patents [b]

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[a] This table includes all patents included, or referred to, in the record which relate to "machinery used in the manufacture of glassware", as defined in the judgment (Paragraph 1 (F) to (K), R. 7656).

a. Exs. H–6102–3, R. 1105–7.

b. Includes 48 Empire patents assigned to Hartford (Ex. 973, R. 7987–8011, 8014, 8018–22). This figure is not truly indicative of the number of patents that Corning contributed to the pool. The record does not show the exact number of Corning patents that were covered by its agreements with Hartford and which related to machinery used in the manufacture of glassware. The record does show

Owens, 132 patents [c]
Hazel, 73 patents [d]
Lynch, 13 patents [e]
Ball, 34 patents [f]

B. It was the duty of the District court to nullify the power of appellants' illegal patent combination and to dissipate its monopolistic effects; a bare prohibition against past misconduct would not have been adequate relief

The District Court found that appellants' combination of patents was illegal. It thereupon be-

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that Corning contributed some patents to the pool not included in the figure given above (see Ex. 16, Sched. D., R. 11991); e. g., patent No. 1,790,397 relating to the ribbon machine (Ex. H–5527, R. 10829) and some others (see Exs. C–5866–7, Fol. 23872–908 (not printed); see Stip. 16531).

c. Includes 24 Owens patents which have been licensed to Hartford and applied to Hartford machines (Ex. H–6104, R. 11064), 58 Owens patents licensed to Hartford but never applied to Hartford machines (Ex. O–5953, R. 12035, Ex. 2008, R. 9897), 37 Owens suction patents (Ex. O–5952, R. 12029; Ex. O–6183, R. 11100), and 13 O'Neill suction patents acquired by Owens (Ex. O–6097, R. 11029).

d. Includes Hazel patents under which Hartford had a non-exclusive license with the right to grant sub-licenses (F. 212, R. 7323; Ex. HA–5076B, R. 9897–9; cf. also Ex. HA–5678, R. 10,881; Ex. HA–5679, R. 10882; Ex. 946, R. 7956).

e. Includes 1 Lynch feeder patent under which Hartford had an exclusive license (F. 332, R. 7348; Ex. 963, R. 9281) and 12 Lynch forming machine patents under which Hartford had a non-exclusive license with the right to grant sub-licenses (F. 335, R. 7348; Ex. 330b, R. 9082; Ex. H. 6104, R. 11,064).

f. Includes the 34 feeder patents owned by Ball in 1938, as to which Hartford had the first refusal (F. 385, R. 7358; Ex. 1576, R. 8045).

came the duty of the District Court to devise a judgment that would nullify the power of the combination and dissipate its effects. *United States* v. *Trans-Missouri Freight Assn.*, 166 U. S. 290, 308; *Standard Oil Company* v. *United States*, 221 U. S. 1, 77–78; *United States* v. *Union Pacific R. Co.*, 226 U. S. 470, 474; *Local 167* v. *United States*, 291 U. S. 293, 299; *United States* v. *Bausch & Lomb Co.*, 321 U. S. 707, 726. Furthermore, the judgment should be phrased to prevent evasion and any doubts in framing its provisions should be resolved in favor of the government and against the conspirators. *United States* v. *Bausch & Lomb Co.*, *supra*, and *Local 167* v. *United States*, *supra*.

In a case such as this where conspirators have successfully monopolized an industry, a judgment which merely prohibited repetition of past misconduct would not accomplish the purpose of the statute. In *Standard Oil Company* v. *United States*, 221 U. S. 1, 77–8, this Court said:

> It may be conceded that ordinarily where it was found that acts had been done in violation of the statute, adequate measure of relief would result from restraining the doing of such acts in the future. *Swift* v. *United States*, 196 U. S. 375. But in a case like this, where the condition which has been brought about in violation of the statute, in and of itself, is not only a continued attempt to monopolize, but also a monopolization, the duty

> to enforce the statute requires the application of broader and more controlling remedies. As penalties which are not authorized by law may not be inflicted by judicial authority, it follows that to meet the situation with which we are confronted the application of remedies two-fold in character becomes essential: 1st. To forbid the doing in the future of acts like those which we have found to have been done in the past which would be violative of the statute. 2d. The exertion of such measure of relief as will effectually dissolve the combination found to exist in violation of the statute, and thus neutralize the extension and continually operating force which the possession of the power unlawfully obtained has brought and will continue to bring about.

In the instant case a judgment that cancelled existing contracts and enjoined the repetition of the past unlawful acts of appellants but did not affect the patent combination would have left untouched the very concentration of economic power that it was the duty of the court to rectify. The appellants would have been left in a position to bar others from the industry or to dictate the terms on which they might enter. It is no answer to assert that a prohibitory decree by enjoining appellants from acting in concert would thereby have nullified the economic power of the patent combination. Appellants' concentration of patent rights, particularly in the hands of Hartford,

Owens, and Corning, gives them at the present time a monopolistic position even in the absence of proof of future concerted action. The record shows that the patent combination formed by all the appellants no longer depends for its force or operation upon express agreements, on conferences, or on demonstrable joint action. The combination now has a life and a momentum of its own against which no prohibition of concerted action will avail.

Accordingly, the trial court was under a duty to do more than prohibit the repetition of unlawful conduct. It was required to take steps that would nullify the power of appellants' monopolistic combination of patents and dissipate its economic effects. To discharge this obligation it was necessary for the trial court to devise affirmative measures that would deprive appellants of their power to use their patent combination to exclude others from the industry. This problem which the court faced was essentially similar to the problems that have been faced by other federal courts in cases involving the illegal concentration or aggregation of physical assets. The power of the courts in such cases to compel dissolution of combinations or the divestiture of assets is familiar and well established. *Standard Oil Company* v. *United States*, 221 U. S. 1; *United States* v. *American Tobacco Co.*, 221 U. S. 106, 187–188, 1 Decrees and Judgments in Federal Antitrust Cases, 165–191; *Northern Securities Co.* v. *United*

States, 193 U. S. 197. Cf. *United States* v. *Reading Co.,* 253 U. S. 26, 63–64, motion to modify decree denied, 253 U. S. 478; *United States* v. *Lehigh Valley R. Co.,* 254 U. S. 255; *United States* v. *E. I. duPont de Nemours & Co.,* 188 Fed. 127 (C. C. D. Del.), 273 Fed. 869, 871 (D. Del.), 1 Decrees and Judgments in Federal Antitrust Cases, 193.

C. *The trial court properly determined that in this case neither divestiture of the patents nor the dissolution of Hartford would be an appropriate or adequate remedy.*

The District Court decided that neither the divestiture of patents nor the dissolution of Hartford was adequate to deal with the problem of relief. There were sound reasons for this determination.

Any proposal for divestiture of patents raises the question: What patents are to be divested? Appellant Hartford has suggested that it might be properly required to divest itself of any patents that it is found to have unlawfully acquired from others. Hartford admits that at one time it offered to dedicate these patents to the public. (App. brief, p. 228; Hartford main brief, p. 142.) Similarly it might be suggested that Owens should be required to divest itself of the suction patents that it acquired from O'Neill and of any other patents that it acquired pursuant to the illegal combination, and that Lynch should be required to divest itself of the patents that it acquired from Ed Miller.

These proposals standing alone would fall far short of dissolving the power of the patent combination or of dissipating its effects. Conditions have so changed since the appellants acquired these patent rights that their divestiture would have little or no tendency to create a free industry. In most cases the companies or inventors from whom the patents were acquired are no longer in business. What is more important, the patent situation has changed, and this change is one of the direct consequences of appellants' wrongful acts. As a result of buying the patents and assets of competitors appellants strengthened their own patent position in at least two respects. In the first place the ownership and control of the acquired patents enabled the appellants to eliminate opposition in the Patent Office and to obtain the issuance of patents with broad claims (see Govt. main br. pp. 59–97). In the second place appellants protected themselves against the possibility that competitors would develop new devices or inventions which would rival those of appellants and provide a basis for independent enterprise (*ibid.*). As a result of these changes the patents which the appellants illegally acquired, considered by themselves, would not now supply a new competitor with adequate patent protection for entry into the industry. If the patent combination were divisible at all, it would not be divisible on the basis of any distinction between the patents which appellants

themselves obtained from the Patent Office and those which they bought from others.

Appellants anticipated that an antitrust judgment that merely required divestiture of acquired patents would not deprive them of the benefits of their conspiracy or substantially impair their domination of the industry (Ex. 76, R. 12573). The evidence shows that Owens and Hartford made their plans on this assumption. In 1925 H. K. Smith of Hartford sent a memorandum to counsel for Owens discussing the problems that the companies would face in the event that certain of their acquisitions, particularly O'Neill and T. R. & B. were attacked in antitrust proceedings (Ex. 76, R. 12573-4). In this memorandum Smith said:[*]

> It may be well to consider here, also, what would be the result should any or all of these matters be upset by Government action, as follows:
>
> O'Neill
>
> * * * Meanwhile the O'Neill organization and business as a going concern would have been irrevocably disposed of. We might be forced to put our O'Neill U. S. patents up for auction and sell them for a song and perhaps lose a few thousand dollars this way, but I cannot see that any-

[*] The T. R. & B. acquisition is discussed in the memorandum under the heading "Federal" because James Beatty, a member of the firm of Tucker, Reeves and Beatty, was also the president of the Federal Glass Company which was one of the most important licensees under the Tucker, Reeves & Beatty patents.

thing serious can happen in any event as to this transaction.

* * * * *

Federal

Under similar circumstances, a dissolution here might be much more serious, depending upon the nature of the decree. It could hardly force us to give up any patents taken out in our name. We might conceivably be forced to dispose of patents practically taken out in the name of T. R. & B. and assigned to us. By the time, however, that such decree would become final, we would hope that the situation would be such that those Federal patents would not be worth much to anybody. We might lose whatever value we paid for them, but that would be all.

Of course, the court might order that we transfer the entire Federal licensing business to some other party and turn over to that party the Federal patents. This, of course, would simply restore to a certain extent the existing situation and establish a competitor. It would have either one of two results—either that competitor would be in a reasonably strong position, in which case we could probably dispose of all these assets as a going concern for somewhere near what we paid for them and take our chances with competition.

Or, by that time, the situation would be such that it would be practically impossible

to restore the old Federal competition even if it had all the Federal patents; in which case we wouldn't get much for the sale of these assets, but on the other hand, the competition wouldn't be serious.

Meantime, we would have gotten out our own patents; probably had the income from Federal licenses for several years and very possibly also, as a result of the Federal and the other deals, we might have brought in Hazel-Atlas under license.

I, therefore, do not see much danger of having any of these deals upset, as set forth. If they are upset, I still believe that by that time, we will be in a better position even with such dissolution than we would be otherwise; and I see no danger whatsoever of any criminal liability because the cases are necessarily so doubtful in the matter of law that they could never get any jury to convict and I doubt if any prosecuting officer would ever attempt any criminal action. Criminal action in cases of this sort, so far, has practically been non-existent.

Mr. Williams, counsel for Owens, replied in a letter enclosing a memorandum "somewhat along the lines of your own."[*] (Ex. 77, R. 12574A; see Govt. main br. p. 335.)

[*] It is significant that Lynch objects to paragraph 49 of the decree which requires it to dispose of certain assets acquired from Ed Miller on the ground, among others, that the Miller acquisition "has naturally become merged completely into the general business activity of Lynch Corporation" and "that it is entirely problematical whether any sale can be effected at all" (pages 177–178).

Having properly determined that divestiture would be inadequate, the court might have sought to free the industry by dissolving Hartford. The court attempted to avoid this course of action. The dissolution of a company whose assets consist chiefly of patents and an integrated research and engineering organization involves difficulties not present in the case of an ordinary commercial or manufacturing company which owns physically separable properties. The court may have been influenced by appellants' arguments that Hartford's research and engineering services were of value to the smaller companies in the industry and that so far as concerns these services, considered apart from Hartford's other activities, no advantage was to be gained by dissolution.[21]

[21] The government thinks it was proper for the court to weigh this circumstance, but the government does not share the view of Hartford that its engineering and research services are essential to the survival of the small companies.

Hartford stated in its main brief (p. 68) that the government "conceded that Hartford—in some form, with certain suggested revisions—should be continued for the industry's best interests," citing the government's oral argument in the district court. The two suggested revisions were:

"* * * One is royalty-free compulsory licensing of the existing patents for the duration of the patents; and the other is by reorganization of the Hartford Company, to prevent it in the future from repeating the present situation" (Fol. 12639 not printed. Stip. R. 16531).

The fears expressed by Buck Glass Company and certain other licensees in two briefs *amicus curiae* filed in this case that the decree will be detrimental to them because it will

Furthermore, in attempting to dissolve Hartford and to create two or more new competing companies, the court would have had to face the fact that the patents now owned by Hartford are not divisible on any practical basis. It would not be possible to create new companies that were capable of competing with one another unless all of them were given rights under all of the patents now owned by Hartford. Thus, any practical plan of dissolution would have left the court with the problem of so controlling the future use of Hartford's present patents that all of the new companies had access to the technology those patents control.

In any event, the court could not have dealt with all aspects of the patent combination merely by dissolving Hartford. Owens would have been left in control of the unexpired patents on the suction process, including those acquired from O'Neill; Lynch would have been left with its forming machine patents, including those acquired from Ed Miller, and Corning's position of dominance in its part of the non-container field—

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deprive them of Hartford's technical services are unwarranted.

A brief filed on the original argument, as *amicus curiae* by counsel for nine companies comprising the Knox group of nondefendant licensees disagrees with the conclusions in the brief filed by Mr. Buck. The Knox brief points out that there is nothing in the judgment to prevent Hartford from continuing to furnish technical service to glassware manufacturers, and concludes that the remedies provided in the judgment will be beneficial to the glass industry.

a position which it enjoyed as a reward for its participation in the conspiracy—would have been untouched. For the reasons that have been explained earlier in this brief (see pp. 78–82, *supra*) it would not have been possible to have dealt with those other aspects of the combination by requiring divestiture of the acquired patents; it follows that not even a combination of the remedies of dissolution and the divestiture would have been effective.

The conclusion that dissolution and divestiture were not practical remedies meant that it was necessary to leave the patents in the ownership and subject to the control of the persons who had formed the patent combination and used it to monopolize the industry. The district court's only recourse in this situation was to impose restrictions on the future use of the patents which would prevent appellants from using them to restrain trade and monopolize the industry.

This is what the district court sought to do by the provisions of 24 (a) of the judgment. This paragraph, which applies to all of the appellants except the glass association and the individuals associated, with it enjoins the appellants from distributing glassware machinery or glassware in interstate commerce unless they file with the clerk of the court an agreement

> * * * to license without royalty or charge of any kind and for the life of the

> patents any applicant to make, to have made for it and to use any number of machines and methods used in the manufacture of glassware and embodying inventions covered by any patents or patent applications now owned or controlled by each of such defendants;

This paragraph imposes three requirements as to the future use of the appellants' present patents. First, the licenses must be granted to all applicants. Second, the licenses must be royalty free. Third, the licenses must be for the life of the patents. In the circumstances of this case each of these requirements is a reasonable and appropriate measure of relief.

D. *The requirement that licenses must be granted to all applicants is a reasonable and appropriate measure of relief*

The appellants' monopoly rested upon a combination of patents which controlled the technology of the industry and gave the appellants power to exclude anyone from the whole or any part of the industry. So long as the appellants retain their power to exclude others, the force of their combination cannot be nullified or its effects dissipated. The power cannot be broken by injunctive provisions which merely prohibit the repetition of unlawful acts or forbid concerted action. The very nature of the power involved enables the appellants to exercise it by denial or inaction;

no affirmative misconduct is required to make the power effective. Merely by refusing licenses appellants can maintain the existing structure of the industry, bar new enterprises, and prevent competition. Nor is it necessary for appellants to act in concert. The industry now has an artificial structure and constitution which appellants created by joint action. They can maintain this structure and constitution hereafter without agreements, consultations, or joint action. The long association in a common monopolistic purpose has bound appellants together with ties which will not be easily severed. The habits of concerted action, monopoly has become a normal way of life and they may be expected to continue in the same pattern unless broadly and comprehensively prevented.

To attempt to remedy this situation merely by prohibitory injunctions would violate the principle that in dealing with mor poly the court should not merely restrict the exercise of the power and leave the power itself and its effects untouched. which have become deeply embedded in the consciousness of the conspirators, are illustrated by the willingness of Owens to rely upon Hartford to observe the "spirit" of Section 22 of the 1924 Agreement even after its cancellation (see Govt. main brief, pp. 321–2) and by the unwritten "understanding" under which Owens and Hazel limited their fruit jar production for the benefit of Ball (*id.*, pp. 151–4). To most of the appellants,

United States v. *Reading Co.*, 226 U. S. 324, 352–3. Furthermore, it would have required the court to ignore the fact that it was leaving the appellants with a power which they had abused in the past and which they might reasonably be expected to abuse in the future. Cf. *United States* v. *Swift & Co.*, 286 U. S. 106, 116.

To nullify the power inherent in the combination of patents, it was necessary to require appellants to license all applicants. This would tend to attract new capital, encourage competition, stimulate research and revive invention, and thus to create a free and competitive market.[22] It is significant that appellants in various points in their brief emphasized the fact that Hartford is now prepared to grant licenses to "any responsible new comer" or to "all responsible applicants", or to "all responsible manufacturers, present or potential"[23] (br. pp. 7, 101, 229). Thus, although Hart-

[22] The effect of competition in stimulating invention is well illustrated in the record. It was competition from the Knox-O'Neill machine which forced Hartford to develop a new forming machine. (Ex. 388, R. 12963; *cf.* Ex. 591, R. 13207; Ex. 703, R. 13400). It was the competition of Lynch and O'Neill which stimulated Hartford's inventor Lorenz to work out a new idea in connection with the No. 12 forming machine (R. 5687).

[23] The continued use of the qualifying adjective "responsible" in these statements is significant. It should be read against the background of H. K. Smith's description of the Hartford's licensing policy in 1928 in which he said in part (Ex. 395, R. 13002): "We licensed the machines only to selected manufacturers of the better type, refusing many licensees whom we thought would be price cutters * * *."

ford attacks this requirement in the judgment, its attempt to strengthen its position by reference to its present practice seems to involve an implicit admission that competitive conditions cannot be created in the industry so long as the power to exclude others by means of the patents is exercised.

Relief analogous to compulsory licensing in lieu of dissolution has been common in antitrust suits. Thus in *United States* v. *Terminal R. R. Assn.*, 224 U. S. 283, a terminal association which was monopolizing the means of access to the City of St. Louis was required, on pain of dissolution, to submit a plan for the admission of other railroads to joint ownership and control on reasonable terms, and for the use of the association's facilities on similar terms by railroads not electing to become owners. In *United States* v. *Great Lakes Towing Co.*, 208 Fed. 733, 747 (N. D. Ohio), the defendant was offered a similar alternative to dissolution; namely, the presentation of a—

> plan whereby its service shall be given for the equal benefit of all requiring the same * * * so that the company becomes in truth "the bona fide agent and servant" of every vessel owner who shall use or need its facilities, and so that the rights of competitors are completely safeguarded * * *.

Thereafter, the court devised a scheme which it thought met the indicated test (*United States*

v. *Great Lakes Towing Co.*, 217 Fed. 656) and the government dismissed its appeal to the Supreme Court (245 U. S. 675).

In *United States* v. *New England Fish Exchange*, 258 Fed. 732, 752 (D. Mass.), defendants were required to submit regulations, upon pain of dissolution, opening up a fish pier to outside dealers. More recently, a three-judge court, in *United States* v. *Pullman Co.*, 50 F. Supp. 123 (E. D. Pa.) required the Pullman Company, contrary to its previous practices, to operate sleeping cars manufactured by anyone and to furnish through-line service to any railroad unconditionally.

E. The requirement that the licenses be royalty free is a reasonable and appropriate measure of relief

1. THE POWER TO COLLECT ROYALTIES ON THE COMBINATION OF PATENTS GIVES APPELLANTS A SUBSTANTIAL ECONOMIC ADVANTAGE THAT CAN BE USED TO DISCOURAGE AND SUPPRESS COMPETITORS; THE DISTRICT COURT, HAVING DECIDED THAT IT WAS NOT FEASIBLE OR DESIRABLE TO REARRANGE THE OWNERSHIP OF THE PATENTS IN THE COMBINATION BY ORDERING DISSOLUTION OR DIVESTITURE, WAS REQUIRED TO TAKE APPROPRIATE MEASURES TO NEUTRALIZE THIS POWER

In the past the power to collect royalties from those who were permitted to enter the industry was an important source of economic power and enabled appellants to overwhelm and to suppress competition. From the beginning of the conspiracy until the institution of this suit appellant Hart-

ford has collected more than $47,000,000 in royalties (Ex. 15, R. 7929A). This figure does not include royalties collected by Hartford between January 1, 1940 and September 1, 1942, nor does it include the more than $14,000,000 earmarked or impounded by the judgment for the period from September 1, 1942 to June 30, 1944. (See Receivers' Report, pp. 46–47, 51.) Throughout a part of this time Hartford, on its own admission, was collecting these royalties 'on machines that have no patents back of them" (F. G. Smith on May 28, 1925, in Exhibit 79, R. 12578D). Between 1924 and 1932 Owens received under its 1924 agreement with Hartford, in the form of royalties, the royalty free use of machines, and a share in infringement damages, approximately $5,000,000 (Govt. main Br. p. 424.) These payments alone gave Owens an advantage over its competitors which in 1928 was approximately 14% of its net income; in 1929, 13%; in 1930, 24%; in 1931, 22%; in 1932, 44% (id., p. 59). Between 1932 and 1935, Owens received more than $2,300,000 (*id.*, p. 429.) In 1935 it received an additional $2,500,000 (*ibid.*).[44] Between 1932 and 1940 Hazel received approximately $10,000,000 from Hartford (F. 227, R. 7327.) For several years Thatcher and Owens received from Hartford royalty rebates on their manufacture of

[44] It is significant that it was during the period that Owens was receiving payments under these contracts that it bought the assets of 7 companies engaged in the manufacture of glassware. (See Govt. main brief, page 37, footnote 67a.)

milk bottles.[88] The judgment properly does not attempt to require appellants to restore or to repay the royalties or any other financial rewards that they have enjoyed in the past even though they were illegally obtained.

Certainly, the power of appellants to collect royalties on the combination of patents in the future cannot be left completely unrestricted; royalty-sharing arrangements, royalty-rebates, and similar preferential arrangements between appellants must be prohibited. If the judgment fails in this respect, appellants by collecting and dividing royalties among themselves could obtain the same kind of illegal economic advantage from the combination of patents that they have enjoyed in the past.

But a prohibition of preferential royalty arrangements will touch only one aspect of the problem posed by appellants' power to collect royalties on their combination of patents. Even in the absence of those arrangements the collection of royalties on the patents will give the appellants substantial economic, competitive advantage. For example, in the case of Hartford, the power to collect royalties on 600 patents which it now owns will give it a large advantage over any other machinery company that attempts to enter the field. The payment of royalties to

[88] See Govt. main Br., pp. 141-2. In the case of Thatcher these rebates amounted to approximately $230,000.

Hartford by glass manufacturers will deprive those manufacturers of funds which could otherwise be used for research that might lead to inventions that would compete with those of Hartford. In 1939 the royalties on feeder and forming machines collected by Hartford averaged 7.4% of the licensees' total costs of manufacturing the glassware (Ex. 1823A, R. 14352B). The Hartford feeder royalty alone, before it was reduced in 1941, averaged 4.4% of the licensees' sales price for the glassware (Ex. 1824A, R. 14354A; Ex. 1824C, R. 14354C); after the reduction it amounted to about 3.5% of the sales price (Hartford main Br. pp. 54–55; App. br. p. 79). These figures do not include the additional royalties charged by Hartford for the use of its forming machines and lehrs (Ex. 415, R. 7928A). The average net profit on manufacturers' sales of glassware is 10% (Ex. 1824C, R. 14354C). An independent or a new company in the field, with limited resources, will face a serious and perhaps decisive handicap if it must compete against appellants on the basis of a 7% disadvantage in its manufacturing costs and a 4% disadvantage in price competition. If royalties continue to be collected on the combination of patents, this kind of competitive advantage is likely to be enjoyed by Hartford over anyone who tries to go into the business of manufacturing machinery and by the other appellants, such as Owens and Corning, as

against anyone who attempts to compete in the manufacture of glassware. The independents and the newcomers must perforce seek a license from appellants because there is no one outside the combination who has patents which provide protection for the use of automatic glass-making machinery. For example, anyone who wishes to operate under any of the unexpired patents on the suction process must obtain a license from Owens; assuming that Owens' license charges are no higher than those of Hartford, this person would have to compete against Owens under the disadvantage of a 7.4% differential in costs and a 3.5% differential in price competition.

It may be suggested that under the supervision of the court the royalties charged on the combination of patents might be reduced to some reasonable amount.[36] Any reduction in royalties would reduce the advantage the combination of patents gives to appellants, but it would not completely remove the advantage or dissipate the effects of the patent combination. So long as the power to collect royalties continues, appellants will enjoy an advantage that must necessarily discourage competition and tend to prevent the creation of a free industry.

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[36] Hartford reduced its feeder royalty in 1941 during the trial of this case (R. 5805). Presumably, it regards the new royalty as reasonable. Even after the reduction, the royalty amounted to approximately 3.5% of the sales price (*supra*, p. 93).

We contend that in the circumstances of this case, the court was entitled to require more than compulsory licensing of the patents in the combination and that it was appropriate and desirable for the court to direct that the licenses be granted royalty free. The latter requirement was reasonably necessary to prevent the appellants from projecting indefinitely into the future their position of dominance, which they have obtained by their wrongful acts and which they still enjoy, and was reasonably designed to encourage competition and to create a free and competitive industry. Appellants by illegally acquiring, combining, and misusing patents have erected a protective barrier around the industry. To permit a charge to be exacted for entrance into the industry will perpetuate the monopoly and extend the illegal power of appellants over the industry indefinitely into the future.

Appellants attack the royalty-free requirement of the judgment on the ground that it is "punitive" or "penal," and that it involves the "forfeiture" or "confiscation" of property (br. pp. 86–102). These contentions are without merit. The district court was not attempting to punish or to penalize appellants for their past misconduct. Relief designed to dissipate the effects of a monopoly is not penal or punitive merely because it bears heavily on those who have combined or conspired to create a monopoly. It would hardly be sug-

gested, for example, that the familiar decrees entered in other antitrust cases requiring the dissolution of monopolies or the divestitures of assets were improper on the ground that, because they resulted in the destruction or impairment of property values, they were penal or punitive in character. *United States* v. *Union Pacific R. Co.*, 226 U. S. 470, 477; *Standard Oil Co.* v. *United States*, 221 U. S. 1; *United States* v. *American Tobacco Co.*, 226 U. S. 106; *United States* v. *E. I. duPont deNemours & Co.*, 188 Fed. 127, 273 Fed. 869; 1 Decrees and Judgments in Federal Antitrust Cases, 195. Cf. *L. P. Steuart & Bro., Inc.* v. *Bowles* (May 22, 1944, No. 793).

Nor is it true that to justify the royalty-free requirement it is necessary to rely upon a general principle that a court in devising a judgment under the Sherman Act may confiscate the physical property of conspirators and give it to their competitors. Appellants' argument on this point disregards the following circumstances which we believe are of decisive importance in considering the question of relief:

1. The District Court was required to deal with a combination of patents;

2. This combination of patents had been intentionally formed and intentionally used to restrain trade and to monopolize an industry; more particularly, it had been formed and used to restrain and to monopolize trade in unpatented articles;

3. Many of the patents in the combination had been obtained by illegal or improper means for the purpose of accomplishing the illegal ends of the combination and hence were tainted with illegality in their very inception.

In disregarding these facts, appellants have assumed that for the purpose of framing an anti-trust judgment, a patent must necessarily be treated in precisely the same way as any kind of property. This assumption overlooks the fact that a patent, whether it is described as "property" or as a "privilege", possesses special characteristics which have led the courts to develop a special body of law relating to the misuse of patents and to the relation between patents and the public policy that is embodied in the Sherman Act. These decisions, we submit, support paragraph 24 (a) and show that not only the anti-trust laws but the patent law as well establish the propriety of the royalty free provisions of the judgment.[37]

[37] The appropriateness of royalty-free compulsory licensing has been recognized by the parties to consent decrees, several of which antedated the opinion of the court below. *United States* v. *Kearney & Trecker Corp.*, N. D. Ill. Civ. 3337 (1941); *United States* v. *Aluminum Co.*, S. D. N. Y. Civ. 18-31 (April 1942); *United States* v. *General Electric Co.*, N. J. Civ. 1364 (Westinghouse Decree, April 1942); *United States* v. *Aqua Systems*, S. D. N. Y. Civ. 19-516 (November 1942); *United States* v. *Aerofin Corp.*, S. D. N. Y. Civ. 20-458 (March 1943).

In *United States* v. *Vehicular Parking*, 54 F. Supp. 828, 841 (D. Del.) a contested case, the court did not directly

2. AN ATTEMPT TO EXTEND THE PATENT PRIVILEGE BEYOND THE INVENTION MAKES THE PATENT UNENFORCEABLE AND DEPRIVES THE PATENTEE OF THE RIGHT TO COLLECT ROYALTIES

The substance of a patent is the right to invoke the aid of the federal courts to exclude others from practicing the invention that the patent covers. The right is neither absolute nor unqualified; the patent "is conditioned by a public purpose." *Mercoid Corp.* v. *Mid-Continent Co.*, 320 U. S. 661, 666. "There are issues of great moment to the public in a patent suit." *Hazel-Atlas Glass Co.* v. *Hartford-Empire Co.*, Oct. Term, 1943, No. 398. Thus the patent is unenforceable if its claims, without statutory warrant, encompass more than the invention (*Ensten* v. *Simon, Ascher & Co.*, 282 U. S. 445, 452, 453; *Marconi Wireless Telegraph Co.* v. *United States*, 320 U. S. 1); if the patent has been obtained or enforced by fraud (*United States* v. *Bell Telephone Co.*, 128 U. S. 315; *Keystone Driller Co.* v. *General Excavator Co.*, 290 U. S. 240; *Hazel-Atlas Glass Co.* v. *Hartford-Empire Co., supra*); or if the limits of the invention are not sharply defined (*United Carbon Co.* v. *Binney & Smith Co.*, 317 U. S. 228; *General Electric Co.* v. *Wabash Co.*, 304

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pass upon the question whether in that case—an antitrust suit—compulsory licensing royalty-free should be required, but stated that it had no doubt that such relief could be given in a proper case. The judgment finally entered by that court, on July 18, 1944, expressly reserved decision on the question of compulsory licensing royalty-free until this court should have rendered its decision in the *Hartford* case.

U. S. 364). The patent is likewise unenforceable if it is used to control what is unpatented. *Mercoid Corp.* v. *Honeywell Co.*, 320 U. S. 680; *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U. S. 661; *Morton Salt Co.* v. *Suppiger Co.*, 314 U. S. 488; *B. B. Chemical Co.* v. *Ellis*, 314 U. S. 495.

The doctrine of all these cases is derived from both the patent statute and the antitrust laws. The extension of the patent privilege beyond the invention and beyond the authorized grant defeats the purposes of the patent statutes by creating monopolies and restraints of trade in products and processes that are unpatented. Sharp delineation of invention is essential "for the protection of the patentee, the encouragement of the inventive genius of others and the assurance that the subject of the patent will be dedicated ultimately to the public." *General Electric Co.* v. *Wabash Co.*, *supra*, at 369. Without sharp limitation of the scope of the patent to the invention there are "unreasonable advantages to the patentee and disadvantages to others arising from uncertainty as to their rights." (*Ibid.*)

The assertion of a monopoly beyond the patent enables the patentee to deter others "from legitimate action and seriously prejudice the public." *Ensten* v. *Simon, Ascher & Co.*, 282 U. S. 445, 453. These limitations on patent rights are, therefore, an application of the public policy against re-

straints and monopolies which is incorporated in the Sherman Act, and the rules developed for restricting the patent privilege to its proper orbit and terminating the privilege when it is abused maintain both the integrity of the patent system and the effectiveness of the antitrust laws.

In *Mercoid Corp.* v. *Mid-Continent Investment Co., supra,* the Court expressly recognized that the doctrine of the rule which renders the patent privilege unenforceable when an attempt is made to extend the patent grant beyond the invention, is equally applicable whether the attempt to extend the privilege occurs in relation to proceedings before the Patent Office or in the use of the patent as an instrument of illegal business policy. The Court said (320 U. S., at pp. 665–6):

> It is the protection of the public in a system of free enterprise which alike nullifies a patent where any part of it is invalid (*Marconi Wireless Co.* v. *United States,* 320 U. S. 1, 58; and see *General Electric Co.* v. *Wabash Corp.,* 304 U. S. 364, 372) and denies to the patentee after issuance the power to use it in such a way as to acquire a monopoly which is not plainly within the terms of the grant.

Appellants argue that the doctrine of the improper use cases is "purely negative" and that it has no application "where the government rather than the patentee, is seeking relief" (br. 93, 94). But the doctrine of these cases is not as

narrow or as technical as appellants suggest. The doctrine rests upon the public policy that favors a system of free enterprise, a policy that is recognized by the patent law and embodied in the Sherman Act (*Mercoid Corp.* v. *Mid-Continent Co.*, 320 U. S. 661, 665). The consequences of the misuse of a patent are the same whether the patentee is suing for infringement or being sued for relief. This Court recognized and applied this principle in *Mercoid Corp.* v. *Honeywell Co.*, 320 U. S. 680. In that case the respondent was using a combination patent to control competition in the sale of an unpatented component part of the patented combination. Petitioner brought suit alleging that the respondent had used the patent in violation of the antitrust laws, and asking that respondent be restrained from threatening petitioner and its customers from infringement suits and that an accounting be had and treble damages awarded. This Court held that the petitioner was entitled to the affirmative relief prayed for, saying (p. 684):

> For the reasons stated in *Mercoid* v. *Mid-Continent Investment Co., supra,* the effort here made to control competition in this unpatented device plainly violates the antitrust laws, even apart from the price-fixing provisions of the license agreements. It follows that petitioner is entitled to be relieved against the consequences of those acts.

If the principle entitles a private person to relief against the owner of the patents, the government is similarly entitled to relief in an equity suit brought to restrain and to dissipate the effects of an illegal combination of patents. It would be anomalous to suggest that the right of the government to relief in a proceeding brought under Section 4 of the Sherman Act is not as great as the right of a private litigant to obtain relief in a suit brought under Section 7 of the Act. This is particularly so, because the interest protected by the doctrine is a public interest which it is the duty of the government to vindicate and to protect.

3. APPELLANTS COMBINED THEIR PATENTS TO CONTROL SUBJECT MATTER AND TO ACCOMPLISH PURPOSES THAT LIE OUTSIDE THE LIMITS OF THE PATENT GRANT; IN NUMEROUS INSTANCES THE APPELLANTS ACQUIRED THE PATENTS BY ILLEGAL MEANS FOR THE PURPOSE OF EXTENDING THEIR MONOPOLY OF THE INDUSTRY: IT FOLLOWS THAT THE PATENTS ARE UNENFORCEABLE AND THAT THE APPELLANTS ARE NOT ENTITLED TO COLLECT ROYALTIES

a. The appellants combined their patents to dominate and to monopolize an entire industry; this cannot be justified as an exercise of the rights conferred by the separate patents and was an abuse of all of the patents in the combination.—The district court concluded that appellants formed a combination of patents for the purpose of monopolizing the entire glassware industry and that they accomplished this purpose (Concls. 3–4, R. 7401). This was a misuse of the patent grant. The indi-

vidual patents contained claims which purported to cover different machines and devices used in the automatic manufacture of glassware. Appellants did more than protect and exploit the inventions defined in the separate patents. They deliberately formed a patent combination, not for the purpose of exercising the rights conferred by the separate patents, but for the purpose of monopolizing an entire industry. They deliberately sought to give the patent combination a strength greater than that possessed by the claims of the individual patents. This was the "mosaic" theory of the patent combination (see p. 73, *supra*). And see the statement made in 1930 by H. K. Smith, secretary of Hartford (Ex. 388, R. 12972):

> It has always been our ambition to obtain patents which will be related to furnace, melting and refining, feeding, delivery, forming, automatic handling, carrying, stacking and annealing. Conceivably we might lose patent domination of one or more important links, but still retain practical control of the whole chain by means of controlling the most efficient form of the other links.

A patent controls only the invention which it defines. This control cannot be expanded or extended by combining the one patent with others. Thus, a patentee who owns two patents cannot use one to control the subject matter of the other. *Ethyl Gasoline Corp.* v. *United States,* 309 U. S.

436. Similarly, single patents cannot be combined under common ownership or control for the express purpose of monopolizing an industry. *Standard Sanitary Mfg. Co.* v. *United States*, 226 U. S. 20. A monopolistic aggregate of patents is just as much a violation of the Sherman Act as is a monopolistic aggregate of tangible property. A patent used in this kind of combination is "diverted from its statutory purpose" and becomes "a ready instrument for economic control in domains where the anti-trust acts or other laws not the patent statutes define the public policy." See *Mercoid Corp.* v. *Mid-Continent Co.*, 320 U. S. 661, 666. This is a use of the patent "to acquire a monopoly which is not plainly within the terms of the grant" (320 U. S., at pp. 665–6) and hence under the decisions of this Court it disqualifies the patentee from enforcing his patent or collecting royalties thereunder. *Mercoid Corp.* v. *Mid-Continent Co.*, 320 U. S. 661, 666 and cases cited therein.

The District Court also concluded that the purpose and effect of appellants' patent combination was to restrain and to monopolize the manufacture and distribution of unpatented glassware (Concls. 34, R. 7401). The inventions covered by the patents in the combination related to machinery and not to glassware. Considered either individually or collectively, the patents did not entitle appellants to control or to monopolize trade and commerce in unpatented glassware. This is precisely the kind of misuse of patents

that has repeatedly been held to deprive the patentee of the right to enforce his patents or to collect royalties. *B. B. Chemical Co.* v. *Ellis*, 314 U. S. 495; *Morton Salt Co.* v. *Suppiger Co.*, 314 U. S. 488; *Mercoid Corp.* v. *Honeywell Co.*, 320 U. S. 680; *Mercoid Corp.* v. *Mid-Continent Investment Co.*, 320 U. S. 661.

Appellants contend, however, that even though the record supports the conclusion that there has been an illegal combination of patents and that some patents have been used by some appellants to accomplish the unlawful purposes of this combination, nevertheless the government has not shown that all of the patents of all of the appellants have been misused, and that consequently the requirement of royalty-free licensing imposed by the judgment is too sweeping in character. This contention should be rejected.

The patents were incorporated in the combination by various methods: In some cases the appellants Hartford and Owens combined to purchase patents from competitors (see Govt. main Br. pp. 59–96); in one instance they combined with Lynch to make such a purchase (*id.* pp. 125–131); in other cases Hartford and Owens combined to get patents issued by the Patent Office (*id.* pp. 59–94); in some cases certain appellants gave Hartford or Owens exclusive licenses (Appendix II, pp. 250–252; in other instances the licenses given to Hartford or Owens were non-exclusive in form but exclusive in fact (see

Govt. main Br. pp. 104–5; 113–7); in one instance Ball gave Hartford the first refusal of any patents it might wish to sell or license (*id.* p. 155). These variations in form are irrelevant to the issue of improper use. Any patent that was included in the combination—that is, any patent which appellants had reduced to ownership or which had been subjected to the common control of the conspiracy—was used to accomplish appellants' unlawful purposes. Indeed, it was the collective force of the aggregate of patents—a force greater than that possessed by the patents considered separately—on which appellants relied for their success. (See p. 73 *supra.*)

It is true that once the patents were in the combination they were used in different ways to accomplish appellants' purposes. Some of the patents were used in infringement suits (Ex. H–6100, R. 11041); many of them were listed on patent plates,[88] others were used for the purpose of blocking off or fencing in machines which appellants did not use or did not manufacture.[89] In

[88] At one time or another Hartford listed 220 patents on its patent plates (Ex. H–6106, R. 11,100).

[89] For example, Hartford owned patents that fenced in the Howard, Miller, Tucker and Reeves, Kucera and O'Neill feeders (Ex. H–6105, R. 11070, 11072–4, 11076; Ex. H–5356, R. 10,539). Hartford also obtained stream feeding patents. (Ex. 1888, R. 9894); forced feeding patents (Ex. H–5933, R. 11,003) and electric feeding patents (Ex. H–5932, R. 11003); and thus blocked off development in these fields even though Hartford did not exploit machines of this kind. (See Govt. main Br., pp. 91–94.)

other instances appellants merely refused to license the patent to outsiders and thus protected the combination against the competitive use of the inventions covered by the patents. (See Govt. main Br. p. 19, 116, 416–7.) These variations in the particular method in which the patents were used to accomplish the purpose of the combination are also irrelevant to the issue of misuse. The force of the combination was an aggregate force which derived strength in one way or another from every patent in the pool. It follows that all of the patents in the combination have been misused and that under the decisions of this Court the appellants are not entitled to enforce the patents or to collect royalties on them.[*]

Appellants Owens, Hazel, Lynch, Corning, and Ball contend that there is no evidence that they misused their patents (br. 38–45, 100–101). In fact, all of these appellants, in one way or another, contributed patents to the combination. Appendix II to this brief (pp. 250–252, *infra*) contains a summary statement of the transactions by which each of these appellants placed his patents in the pool. It should be emphasized in

[*] Appellants object that the government has made no attempt "to identify patents alleged to have been unlawfully used" (br. p. 94). This objection implies that some of the patents have been misused and others have not. We have shown in the brief, pp. 103–106, *supra* that all of the patents owned by appellants and included in the combination have been misused. There is therefore no necessity for the identification of particular patents.

this connection that appellant Owens was the active manager of that part of the patent combination which consisted of the patents on the suction process, and that Owens used its own patents and acquired patents and patent rights from others to establish its monopoly position in this field (see govt. main br. pp. 59, 105–106, 120–5).

b. Hartford and Owens combined to procure certain patents from the Patent Office by fraud; this was a misuse of the patent grant and Hartford is disqualified from enforcing those patents or collecting royalties thereunder.—In *Hazel-Atlas Co.* v. *Hartford-Empire Co.*, No. 398, last Term, this Court held that the Peiler "stuffing" patent, No. 1,655,391, had been procured by fraud on both the Patent Office and the courts.

The same evidence that was before the court in that case is in the record here and requires the conclusion that the Steimer patents Nos. 2,073,571 and 2,073,573 and the Peiler "heated hood" patent No. 2,073,572 were likewise obtained by fraud on the Patent Office and the courts (see Govt. main brief, pp. 76–84). Applications for the Steimer patents and the heated hood patent had been rejected by the Patent Office because of the priority of a number of patents, including Hitchcock (*id.*, 83). In 1931 Hartford instituted suit against the Commissioner of Patents in the Supreme Court for the District of Columbia asking

that patents issue on these applications (*ibid.*). In the hearing in the Supreme Court for the District of Columbia Hartford referred to the Clarke article without disclosing to the court the facts with respect to its preparation and authorship (*id.*, 83–84). Hartford also referred to the decision in *Hartford-Empire Co.* v. *Hazel-Atlas Glass Co.*, 59 F. 2d 399 (C. C. A. 3), which this Court has held Hartford procured by fraud. *Hazel-Atlas Co.* v. *Hartford-Empire Co., supra.* The Supreme Court for the District of Columbia dismissed Hartford's bill, but on appeal to the Court of Appeals this decision was reversed in an opinion which relied heavily upon the Third Circuit's prior decision, and the Commissioner of Patents was directed to issue patents on the application. *Hartford-Empire Co.* v. *Coe*, 87 F. 2d 741 (App. D. C.).

Quite apart from the use of the Clarke article, Hartford and Owens were guilty of fraud in connection with the issuance of the heated hood patent and the Steimer patents. In our main brief (pp. 43–52) we have summarized evidence which shows that on January 25, 1924, there was a demonstration of the Hitchcock feeder, attended solely by representatives of Hartford and Owens, which established that the Hitchcock feeder was capable of successful commercial operation. Thereafter Hartford and Owens agreed that they would not disclose the facts as to this demonstration, which Owens' patent counsel described as "the secrets

of the Charnel house" (Ex. H–5847, R. 15496). Hartford and Owens in fact did suppress the facts with respect to this demonstration in the Patent Office for the purpose of obtaining and validating patents which would contain broad claims on the art of gob feeding (see Govt. main brief, pp 83–4). In the proceedings in the Patent Office with respect to the Steimer patents and the Peiler heated hood patent and in the proceedings of the Supreme Court for the District of Columbia, Hartford did not disclose the facts with respect to the Hitchcock demonstration (*ibid*). On the contrary Peiler testified both in the Patent Office and before the court that the Hitchcock feeder could not be made operative without subterfuge and inventive additions which he claimed for himself (*ibid.*) This suppression of the facts of the Hitchcock demonstration, considered alone or in conjunction with the use of the Clarke article, provides a foundation for a finding that the Steimer patents and the Peiler heated hood patent were procured by fraud on both the Patent Office and the courts.

A patent obtained by fraud cannot be enforced by the patentee, *Hazel-Atlas Glass Co.* v. *Hartford-Empire Co.,* October Term 1943, No. 398, and it may be cancelled at the suit of the United States (*United States* v. *Bell Telephone Co.,* 128 U. S. 315). This is done, not because it is necessary to punish the wrongdoing of the patentee, but because a patent is "an instrument which affects

the whole public" and the public is entitled to be protected "from the monopoly of the patent which was procured by fraud." *United States* v. *Bell Telephone Co.*, 128 U. S. 315, 367, 373. Thus the principle which forbids enforcement of a fraudulent patent is the same principle which makes the patent unenforceable when the patentee attempts to extend the grant beyond the invention that it defines. In both cases the rule rests upon the public policy that favors free enterprise and a competitive market—a public policy that is recognized by the patent law and embodied in the Sherman Act. It follows, therefore, that it is appropriate for a court in devising a judgment under the Sherman Act to nullify the economic effect of patents fraudulently obtained by an illegal combination.

It may be argued, however, that even if it is conceded that these patents were obtained by fraud, that fact is not relevant to the question whether the district court could properly require Hartford to license patents royalty free and that the only remedy available to the Government is a suit to cancel these patents. Cf. *United States* v. *Bell Telephone Co.*, 128 U. S. 315. Whatever weight this argument might carry where a single patentee had obtained a patent by fraud, it has no force in the present case. Hartford and Owens acted in concert to procure these patents by fraud. Their deceit was one of the means

they used to carry out their plans to monopolize the industry in violation of the Sherman Act. Their conduct was wrongful not only under the patent law, but under the Sherman Act as well. The fraudulently obtained patents are consequences of illegal conspiracy. It was the duty of the district court in framing its judgment to dissipate those consequences. See pp. 5–6, 74–8, *supra*. The court would not have discharged its duty if it had permitted Hartford to continue to enjoy an advantage over its competitors by obtaining financial rewards from patents which Hartford, acting in concert with Owens, had obtained in violation of the Sherman Act. It was particularly important that the court deal with both the stuffing and the heated hood patents because it is these patents that Hartford asserts give it complete control over the entire art of gob feeding (see R. 6217–8). In these circumstances we submit that there can be no question as to the propriety of an antitrust judgment which requires these patents to be licensed royalty free.

c. In carrying out their conspiracy appellants, acting in concert, unlawfully acquired patents from competitors; the district court was justified in requiring the appellants to license these patents royalty free.—The record shows that in the following instances the appellants acquired patents

for the purpose of carrying out their plans to monopolize the industry.[61]

1. In 1916 Hartford-Fairmont and Empire Machine jointly bought the Steimer application (see Gov't main br. pp. 25–6). (This was the application on which patents Nos. 2,073,571 and 2,073,573 were finally issued, discussed *supra*, p. 108.)

2. In 1925 Hartford and Owens jointly acquired the patents and patent rights of W. J. Miller (*id.*, pp. 72–4).

3. In 1925 Hartford and Owens jointly acquired the patents and patent rights of Tucker, Reeves, and Beatty (*id.*, pp. 74–5).

4. In 1925 Hartford and Owens together acquired the patents and patent rights of Sears and Lobb (*id.*, p. 427).

5. In 1928, Hartford and Owens jointly acquired the patents and patent rights of Rankin (*id.*, pp. 95–96).

6. In 1933 Hartford and Owens, with the assistance of Hazel, bought the patents and patent rights of O'Neill (*id.*, pp. 120–5).

7. In 1933 Lynch, with the assistance of Hartford and Owens, acquired the patents and patent rights of Ed Miller (*id.*, pp. 125–131).

8. In 1933 Hartford and Owens, acting jointly, bought the Headley and Thompson patent applications (*id.*, pp. 117–121).

[61] The findings of the District Court make it unnecessary to consider on this hearing the appellants' argument that the acquisitions were proper, e. g., that they were legitimate steps in the solution or compromise of patent deadlocks.

In addition to these joint transactions Hartford, acting alone but for the purpose of carrying out the conspiracy, bought the patents and patent applications of Hitchcock (*id.*, pp. 26–27); Howard (*id.* pp. 33–35), Kucera (*id.*, p. 96) and Nivison-Weiskopf (*ibid*), and of 29 others, listed on p. 428 of the government's main brief. (See *infra*, p. 200, fn. 101.)

The acquisition of patents or patent applications for the purpose of adding them to a combination designed to monopolize an industry, and their use to carry out the purposes of that combination, are not legitimate exercises of the patent privilege. Such conduct cannot be justified in terms of rewarding the inventor and thus promoting the progress of science and useful arts. Patents so acquired and used are diverted from their proper constitutional purpose; and become instruments of commercial aggrandizement. It should be noted that as to the acquired patents, the misuse consisted not merely in their inclusion in the combination and their use to accomplish its unlawful purposes. These patents were acquired for an illegal end. The misuse, therefore, inheres in their acquisition as well as in their subsequent use. The same legal consequences should follow unlawful acquisition as follow any other misuse of the patent privilege, e. g., the extension of a single patent to control unpatented material. The acquired patent is unenforceable and a patentee cannot collect royalties there-

under until the consequences of his conduct have been dissipated. As to appellants' acquired patents that were included in the patent combination, this therefore is an independent ground for supporting the propriety of the royalty-free requirements of paragraph 24 (a).

Hartford, in its brief in the first argument, conceded that if its patent acquisitions should be held unlawful it "would be willing to dedicate these acquired patents to the public or to agree not thereafter to enforce them against others" (Hartford main br. 142). This concession recognizes that as to patents unlawfully acquired, compulsory licensing royalty free is an appropriate remedy.[62] The same remedy should be applied not only to the patents acquired unlawfully by Hartford but also to the patents unlawfully acquired by Owens, for example the O'Neill suction patents, and to the patents unlawfully acquired by Lynch from Ed Miller.

4. THERE IS NO MERIT IN APPELLANTS' ARGUMENT THAT THE ROYALTY-FREE LICENSING REQUIREMENT IS UNLAWFUL BECAUSE IT CONFISCATES OR FORFEITS THEIR PATENTS

Appellants contend that the royalty-free licensing requirement of the judgment is unlawful because it confiscates or forfeits their patents

[62] The affirmative suggestion that appellant Hartford now makes (br., p. 228) that these patents should be sold to others has been shown earlier in this brief to be neither practical nor an adequate measure of relief. (See pp. 78–82, *supra*.)

(br., pp. 97–99). It is not entirely clear from appellants' brief whether this argument rests on the contention that the asserted forfeiture is unlawful because it is not authorized by statute or because it violates the constitutional guarantee of the due process clause of the Fifth Amendment (*cf.* br., pp. 17, 114–115). Presumably, appellants rely more upon the first reason than the second; they do not explicitly argue that a statute which expressly authorized the cancellation or forfeiture of a patent for misconduct in its use would be unconstitutional. That contention would be untenable. It is settled that the United States can cancel a patent for fraudulent misconduct in procuring its issuance even in the absence of express statutory authorization. *United States* v. *Bell Telephone Co.*, 128 U. S. 315; see particularly pp. 371–373.

Whatever the premise of appellants' confiscation argument may be, the argument is answered by the decisions relating to the improper use of patents that have been discussed earlier in this brief. (See pp. 98–102, *supra.*) Those decisions hold that a patentee who has misused his patent cannot enforce it in the courts or collect royalties thereunder until the consequences of his wrongful conduct have been dissipated. Not only will the courts deny relief to the patentee, but a person aggrieved by the patentee's unlawful conduct is entitled to obtain injunctive relief. *Mercoid*

Corp. v. *Honeywell Co.*, 320 U. S. 680. These decisions, which deny the patentee the right to enforce his patent or to collect royalties thereunder, deprive the patent of its financial value so long as the disability continues. Their effect on the value of the patent does not differ materially from the effect of the provisions of 24 (a). Appellants would hardly suggest that the result of these decisions is illegal because it is unauthorized by statute or because it is unconstitutional.

Appellants' confiscation argument ignores the peculiar characteristic of the patent grant. The right, which is conferred by the patent, to exclude others from practicing the invention, has been described by this Court as "a privilege which is conditioned by a public purpose." *Mercoid Corp.* v. *Mid-Continent Co.*, 320 U. S. 661, 666.[48] Because the grant is made by the government and because its efficacy depends entirely upon the intervention and assistance of the courts and because the monopolistic force of the grant, if not controlled, may impair the integrity of the patent system and thwart the purpose of the

[48] See also *Seymour* v. *Osborne*, 11 Wall. 516; *United States* v. *United Shoe Machinery Corp.*, 258 U. S. 451, 463; *Bloomer* v. *McQuewan*, 14 How. 539; *Cammeyer* v. *Newton*, 94 U. S. 225, 226; *Swindell* v. *Youngstown Sheet & Tube Co.*, 230 Fed. 438, 442 (C. C. A. 6). Frank J., concurring in *Aero Spark Plug Co.* v. *B. G. Corp.*, 130 F. (2d) 290, 293 (C. C. A. 2); cf. *Lillard* v. *Lonergan*, 72 F. (2d) 865, 870 (C. C. A. 10), certiorari denied, 293 U. S. 615.

Sherman Act, the courts treat the grant differently than they treat other rights or property generally.

In *Public Service Commission* v. *Havemeyer*, 296 U. S. 506, 515, this Court said:

> Implied in every grant of franchise is the condition that it may be lost by misuse * * *. It may be canceled or withdrawn by any procedure that is not repugnant to the established principles of justice.

Cf. *Farmers' Loan and Trust Co.* v. *Galesburg*, 133 U. S. 156, 179; *Delmar Jockey Club* v. *Missouri*, 210 U. S. 324, 333–4; *New York Electric Lines* v. *Empire City Subway*, 235 U. S. 179, 194; *Kern River Co.* v. *United States*, 257 U. S. 147.[44]

That this Court deems that a patent, like any other franchise, is subject to curtailment if used in a manner injurious to the public interest which alone justifies its creation, is shown by the statement in *Altoona Theatres* v. *Tri-Ergon Corp.*, 294 U. S. 477, 493, that—

> misuse of the patent, or a part of it, by the patentee in such manner as to mislead the public or operate to its detriment, deprives the claim of the benefit of the patent laws.

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[44] It has also been held that the states in the exercise of their police power, may constitutionally deprive patent owners of the value of their patent rights by prohibiting the manufacture and sale of commodities covered by the patents. *Patterson* v. *Kentucky*, 97 U. S. 501; cf. *Allen* v. *Riley*, 203 U. S. 347; *John Woods & Sons* v. *Carl*, 203 U. S. 358; *Ozan Lumber Co.* v. *Union Co. National Bank*, 207 U. S. 251.

As long ago as 1856, it was recognized that the exclusory privileges of a patent can not be permitted to embarrass the public interest. In holding in *Brown* v. *Duchesne,* 19 How. 183, that the use of a patented improvement on a foreign vessel while coming into or going out of a United States port was not an infringement of the rights of the American patentee, this Court, through Mr. Chief Justice Taney, said (p. 198):

> * * * it is impossible to suppose that Congress in passing these laws could have intended to confer on the patentee a right of private property, which would in effect enable him to exercise political power, and which the Government would be obliged to regain by purchase, or by the power of its eminent domain, before it could fully and freely exercise the great power of regulating commerce, in which the whole nation has an interest.

The failure of appellants to distinguish between patents and property generally (br. pp. 86–102) vitiates the support they seek to draw from the fact that the courts in dissolving illegal combinations by the divestiture of assets have required that the assets be sold at reasonable prices. It also vitiates appellants' suggestion that the government can justify the royalty-free provisions of the judgment only by embracing the proposition that in an antitrust case the court has authority to confiscate physical property such as a plant (Br., p. 90). The improper use cases show that in dealing with

patents, the courts do not follow the same practice that they follow in dealing with physical assets or with property generally.[48] A physical asset has a normal value apart from its value as a part of a monopolistic combination. When the asset is sold under a dissolution decree the reasonable price that the owner receives corresponds to this normal value, but it does not include any monopolistic value, because the asset is sold, not as a part of the monopolistic combination, but for use separately. But because a patent is simply the right to exclude others, it has no value apart from its monopolistic value. It is doubtless for this reason, among others, that the legal consequences of a misuse of a patent are different from the legal consequences that follow misuse of a physical asset. In the instant case, any financial reward the appellants might get from the patents in the combination, either by way of royalty or in the form of a reasonable price upon divestiture, would necessarily represent a monopoly value, that is to say, it would be compensation to the appellants for surrendering their power to exclude others from

[48] This may be illustrated by an analogy drawn from the decision in *Mercoid Corp.* v. *Honeywell Co.*, 320 U. S. 680. A plant owner who uses his plant to restrain commerce can be enjoined from continuing to do so. He cannot be enjoined, however, from making any money whatever by the use of the plant. Nevertheless, the *Honeywell* case shows that the patentee can be enjoyed from making money from his patent until the consequences of his misconduct have been dissipated.

the industry. It is precisely this monopoly or exclusionary value which the improper use cases hold that the appellants are not entitled to receive. The doctrine of those cases applies with particular force to the patents which appellants obtained by fraud, or bought from others, in order to carry out the purposes of the combination. These patents are themselves consequences of the conspiracy. Both the patent law and the antitrust statutes require the court to dissipate these consequences by insuring that appellants hereafter will reap no financial benefits from these patents.

Earlier in this brief we have shown that appellants are mistaken in their argument that the doctrine of the improper use cases is purely negative in character and that it does not entitle the United States to affirmative relief. (Pp. 100–102, *supra*.) But even if this argument should be given weight, the cases still provide an answer to appellants' argument that the judgment improperly confiscates their patents. Had the appellants on the date that this case was instituted sought to bring infringement suits on any of the patents included in the combination, under the improper-use doctrine those suits would have been dismissed because the patents were then being used improperly as a part of an illegal combination. (See p. 99–100, *supra*.) The disability would have extended not only to appellants' equitable remedies but to their right to damages for infringe-

ment as well. *National Lockwasher Co.* v. *Geo. K. Garrett Co., Inc.*, 137 F. 2d 255 (C. C. A. 3). It follows that the royalty free requirements of the judgment take nothing from appellants of recognizable value.

Appellants argue that not all the patents in the combination were misused. This argument has been answered earlier in the brief. (See pp. 105–8, *supra*.) But in any event it can hardly be denied that many of the patents now in the combination have no substantial value because they are unenforceable. Certainly, Hartford now has no right to resort to the courts to enforce the four patents which Hartford and Owens obtained by fraud upon the Patent Office and the courts. (See pp. 108–12, *supra*.) Certainly, the appellants cannot enforce the patents which they acquired illegally for the purposes of the combination. (See pp. 112–15, *supra*.) Hartford and Owens are not entitled to enforce the patents which were acquired and used pursuant to the conspiracy, for "blocking off" and "fencing in" purposes. (See pp. 204–15, *infra*.)

Even if it be assumed that a patent is to be regarded as in all respects subject to the same protection as private rights and property generally, appellants' argument goes too far. All property rights are subject to regulation under the police power in the interests of the safety, health, morals, and general welfare of the people (see

Barbier v. *Connolly*, 113 U. S. 27, 31; *Lawton* v. *Steele*, 152 U. S. 133, 136), and the United States "possesses whatever police power is appropriate to the exercise of any attributes of sovereignty specifically granted to it by the Constitution" (see *United States* v. *Gaffney*, 10 F. (2d) 694, 696 (C. C. A. 2); *Nebbia* v. *New York*, 291 U. S. 502, 524; *United States* v. *Rock Royal Co-operative*, 307 U. S. 533, 569; *United States* v. *Darby*, 312 U. S. 100, 114, 116.) An impairment of the value of property by the enforcement of a valid regulatory statute is not a taking in the constitutional sense (*Monongahela Bridge Co.* v. *United States*, 216 U. S. 177; *Bedford* v. *United States*, 192 U. S. 217),[*] and this is true even if the effect of

[*] Compulsory divestiture of securities under the Public Utility Holding Company Act, § 11 (b) (49 Stat. 820–1, 15 U. S. C. 79k (b)), was held not to constitute a taking in the constitutional sense, even if it involved liquidation by sale, with consequent loss in values. *North American Co.* v. *Securities & Exchange Commission*, 133 F. (2d) 148, 154 (C. C. A. 2), pending on special calendar, No. 1 this Term.

In *In re Consolidated Electric & Gas Co.*, 55 F. Supp. 211, 216–217, (D. Del., 1944), the Court said: "As to the alleged violation of Amendment V of the Constitution, *United States* v. *Union Pacific R. Co.*, 226 U. S. 470, 33 S. Ct. 162, 57 L. Ed. 306, and *Continental Insurance Company* v. *United States*, 259 U. S. 156, 42 S. Ct. 540, 66 L. Ed. 871, by way of analogy at least, teach that rights of security holders may be altered and adjusted to the extent necessary to effectuate the object and purposes of compliance with the anti-trust laws. And, even if it be said that the Commission's findings and recommendations constitute an alteration of rights, such is but an incident of the exercise of the power granted by the Congress in enacting the Public Utility Holding Company

the regulation is to deprive property of all or substantially all its value (*Lawton* v. *Steele*, 152 U. S. 133, *Mugler* v. *Kansas*, 123 U. S. 623, 664, 668–9; *Hadacheck* v. *Los Angeles*, 239 U. S. 394; *Omnia Commercial Co.* v. *United States*, 261 U. S. 502).[87] Because appellants' patents were included in an illegal combination and were used to accomplish its purpose, the patents are no more sacrosanct than a contract found to be illegal under the Sherman Act because it has been used to restrain trade or to establish a monopoly.[88] The power of the courts to cancel such contracts and to enjoin their performance is well established. Indeed, this Court has recognized

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Act of 1935, and there is no violation of the due process clause of the Fifth Amendment. *Louisville & Nashville R. Co.* v. *Mottley*, 219 U. S. 467, 484, 31 S. Ct. 265, 55 L. Ed. 297, 34 L. R. A., N. S., 671; *Philadelphia B. & W. R. Co.* v. *Schubert*, 224 U. S. 603, 32 S. Ct. 589, 56 L. Ed. 911; *Addyston Pipe & Steel Co.* v. *United States*, 175 U. S. 211, 20 S. Ct. 96, 44 L. Ed. 136; *United States* v. *Southern Pacific Co.*, 259 U. S. 214, 42 S. Ct. 496, 66 L. Ed. 907; *Norman* v. *Baltimore & Ohio R. Co.*, 294 U. S. 240, 55 S. Ct. 407, 79 L. Ed. 885, 95 A. L. R. 1352."

[87] Antitrust judgments resulting in severe deflation of monopoly values were entered in *United States* v. *American Tobacco Co.*, 221 U. S. 106 (decree reported in 191 Fed. 371, 417 (S. D. N. Y.)); *United States* v. *E. I. du Pont de Nemours & Co.*, 1 *Decrees and Judgments in Federal Antitrust Cases*, 195; and *Continental Insurance Co.* v. *United States*, 259 U. S. 156, all of which were litigated cases. Cf. *United States* v. *Southern Pacific Co.*, 259 U. S. 214, 241.

[88] Similarly, in granting relief in an antitrust suit a court can rearrange the property covered by a mortgage even though the effect is to impair the security. *Continental Co.* v. *United States*, 259 U. S. 156, 171–173.

that the limitations of the Fifth Amendment are "plainly irrelevant" in respect to the deprivation of property rights ensuing as a result of enforcement of the Sherman Act. *United States* v. *Joint Traffic Association*, 171 U. S. 505, 571.

5. THE REQUIREMENT OF ROYALTY-FREE LICENSING DOES NOT DISREGARD THE INTENT OF CONGRESS

Appellants point out that numerous bills have been introduced in Congress which would have required compulsory licensing of patents or have given the courts broad power to cancel any patent involved in a violation of the antitrust laws, and they assert that the failure of Congress to enact any of these bills shows that Congress did not intend that any court should have the power to order royalty free licensing as a measure of relief in an antitrust case (br. p. 99, 108–9).

Appellants overlook the fact that the courts have established the doctrine that a patentee who misuses his patent cannot enforce it nor collect royalties thereunder until the consequences of his misconduct have been dissipated and that a person aggrieved by the misuse of the patent may obtain an injunction to protect himself against those consequences. (See pp. 98–102, *supra*.) The application of this doctrine deprives a patentee of a financial reward which he might normally expect to get from his patent. In specific cases it accomplishes the same practical results that would be accomplished by cancellation or com-

pulsory licensing. It could hardly be suggested, however, that the doctrine is inconsistent with the intent of Congress. Indeed, the failure of Congress to enact the bills referred to by appellants is consistent with the assumption that Congress believes that the provisions of the antitrust law and the doctrine of improper use, taken together, provide an adequate remedy for abuses of the patent grant and that additional legislation is unnecessary.

In any event appellants' argument on this point misconceives the nature of the issue here presented. A court of equity in framing a decree under the antitrust laws does so on the basis of the facts before it and adopts or rejects remedies, depending on whether those remedies are appropriate and reasonable in the light of the facts involved.[49] Accordingly, the failure of Congress to

[49] It is, moreover, contemplated by the Sherman Act that in working out the boundaries of necessary action, the Court shall apply the common law method of developing new standards through decisions based on changing states of fact. If it is this process to which appellants refer when they talk of judicial legislation (cf. br. p. 87), it suffices to note that there is no novelty or impropriety about it. The comments of Judge Learned Hand in *United States* v. *Associated Press*, 52 F. Supp. 362, 370 (S. D. N. Y.), are pertinent in this connection. He said:

"Certainly such a function is ordinarily 'legislative'; for in a legislature the conflicting interests find their respective representation, or in any event can make their political power felt, as they cannot upon a court. The resulting compromises so arrived at are likely to achieve stability, and to be acquiesced in: which is justice. But it is a mistake to sup-

enact legislation of general application is not necessarily relevant to the question of whether a court in a particular case is entitled to resort to a particular remedy. Thus it may be assumed that Congress would not enact a statute which provided that every corporation that violated the Sherman Act should be dissolved or that every defendant who was found to have violated the statute should be required to divest himself of all property used in the violation. Nevertheless, the reluctance of Congress to enact sweeping legislation of this character supplies no basis for an argument that in appropriate cases the court can not order dissolution or divestiture.

In this case the government supports the provisions of the decree not by reliance on any asserted general principle that every patent owned by any person who has violated the antitrust laws

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pose that courts are never called upon to make similar choices: i. e., to appraise and balance the value of opposed interests and to enforce their preference. The law of torts is for the most part the result of exactly that process, and the law of torts has been judge-made, especially in this very branch. Besides, even though we had more scruples than we do, we have here a legislative warrant, because Congress has incorporated into the Anti-Trust Acts the changing standards of the common law, and by so doing has delegated to the courts the duty of fixing the standard for each case. Congress might have proceeded otherwise; it might have turned the whole matter over to an administrative tribunal, as indeed to a limited extent it has done to the Federal Trade Commission. But, though it has acted, it has left these particular controversies to the courts, where they have been from very ancient times."

must be cancelled or licensed royalty free. The remedy is appropriate here because the patents were combined to monopolize an entire industry, because the present existence and ownership of the patents is itself one of the consequences of the conspiracy, and because neither dissolution of Hartford nor divestiture of the patents is an adequate or feasible way to dissolve the patent combination or to dissipate its economic effects.

F. The requirement that the royalty-free compulsory licensing be for the life of the patents is a reasonable and appropriate measure of relief

Appellants contend that even if the requirement of compulsory, royalty-free licensing is appropriate, the District Court erred in imposing this requirement for the life of the patents (Br. pp. 94–5). They point out that under the improper use cases the disability to enforce a patent that follows misuse lasts only until the consequences of the misuse have been dissipated. They contend that in the instant case the consequences of appellants' misconduct have been dissipated or will be dissipated before the patents expire and that accordingly paragraph 24 (a) is defective because it is not appropriately limited in time.

The cases hold that a patent owner who has misused his patent cannot enforce it at least until the consequences of his misconduct have

been fully dissipated. The same standard should be applied under the Sherman Act to define the life of the remedial provisions of a judgment because it is the duty of the court to dissipate the consequences of an illegal combination or monopoly and the remedial provisions consequently should continue until that result has been obtained. We do not dispute these propositions but we contend that appellants have not correctly applied these standards to the judgment in this case.

Appellants point out that after the suit was brought they abandoned some of their unlawful practices (br. pp. 5–7). They concede that it will be appropriate for the final judgment to cancel their illegal contracts and to enjoin the repetition of unlawful acts (Br. pp. 118, 227–9). Appellants appear to believe that the abandonment plus the conceded injunctive provisions will dissipate the consequences of their misconduct and that the government is entitled to no further relief. But the mere cessation or abandonment of illegal practices is not of itself enough to prove that the effects of the misuse of the patent have been dissipated. In *B. B. Chemical Co.* v. *Ellis*, 314 U. S. 495, the owner of a method patent had misused the patent by licensing manufacturers to use it only with unpatented materials which he furnished. In an infringement suit the defense of improper use was interposed. The patentee attempted to meet this

defense by stating that he had abandoned the practice and was willing to give licenses to all applicants. This Court held that this did not entitle the patentee to relief, saying (314 U. S. 498):

> * * * petitioner suggests that it is entitled to relief because it is now willing to give unconditional licenses to manufacturers on a royalty basis, which it offers to do. It will be appropriate to consider petitioner's right to relief when it is able to show that it has fully abandoned its present method of restraining competition in the sale of unpatented articles and that the consequences of that practice have been fully dissipated.

In the instant case the more important consequences of appellants' misconduct may be conveniently considered in three categories. In the case of each category it can be shown that the consequences of appellants' misconduct cannot be dissipated by the voluntary abandonment which appellants assert has taken place and that the district court correctly decided that the consequences would endure for the life of the patents.

1. In the case of the four patents which Hartford and Owens obtained by fraud upon the courts and the Patent Office (see pp. 108–12, *supra*), the patents themselves are the consequence of appellants' misconduct. This consequence will continue to exist as long as appellants have the right to use

the patents either to exclude others or to collect royalties. The Court was therefore justified in requiring that the royalty-free licenses be granted for the life of these patents. Cf. *Keystone Driller Co.* v. *General Excavator Co.*, 290 U. S. 240; *Hazel-Atlas Glass Co.* v. *Hartford-Empire Company, supra.*

2. In the case of the patents illegally acquired from others pursuant to purposes of the combination, the present ownership of the patents by appellants is a consequence of appellants' misconduct. This is a consequence whose life would be co-terminous with that of the patents. Earlier in this brief (pp. 78–82) it has been explained that it would have been neither feasible nor effective relief for the court to have attempted to dissipate the ownership of these patents by divestiture. Since the consequence of appellants' misconduct could not be dissipated by divestiture, it follows that it was reasonable for the court to provide that so long as the patents last, appellants shall not use them to exclude others from the industry, or to collect royalties.

3. Appellants' present dominant and monopolistic position in the industry is the most important consequence of their misconduct. On pages 5–20 in the government's main brief the facts with respect to this position have been summarized as of the date this suit was brought. That summary shows that Hartford, Owens and Lynch monop-

olized the manufacture of the automatic glass-making machinery; that Owens and Hazel and Hartford dominated and controlled the manufacture of unpatented glass containers; that Corning dominated the field reserved to it by the combination; that Thatcher and Owens enjoyed a monopolistic position in the milk bottle field and that Ball, Hazel and Owens enjoyed a similar position in the fruit jar field.

The appellants had achieved this dominant and monopolistic position by the formation and use of an illegal combination of patents. It was, therefore, the duty of the court to devise relief that would nullify the force of the patent combination and dissipate its effects. We have shown that the licensing provisions of paragraph 24 (a) were an appropriate measure of relief to accomplish this purpose because the requirement that licenses be granted to all applicants nullified the power of appellants to exclude others from the industry, and because the requirement that the licenses be royalty free prevented appellants from continuing a monopolistic, competitive advantage which they enjoyed by reason of their illegal action in obtaining and combining the patents.

In determining how long the licensing provisions of paragraph 24 (a) should continue, the court was bound to apply the standard that the provisions should operate until the consequences of appellants' misconduct had been dissipated, but in

devising language to apply this standard the court was not tied to any particular form of words. Indeed, if in paragraph 24 (a) the court had attempted to express the standard in any such indefinite form as "until the consequences of the misconduct have been dissipated" the purposes of 24 (a) might well have been defeated as will be shown later in the brief (pp. 134–135, *infra*).

The District Court might have provided that the provision of paragraph 24 (a) should last for a specified time, e. g., 5, 10, or 15 years. Had it done so, it might, in the circumstances of this case, have fixed a substantial period of time. The patent combination began in 1916 with the alliance between Hartford and Corning. It became largely effective throughout the industry in 1924 when Owens joined the alliance. Since 1932, when Hazel joined the combination, its domination of the glassware industry had been practically unquestioned. The last important independent competition in the manufacture of automatic glass-making machinery was removed in 1933 when Lynch was induced to join the combination. Thatcher has enjoyed the benefits of a preferred position in the milk-bottle field since 1920 and Ball became a party to the combination in 1933. In view of the length of time that the combination has dominated the industry, the District Court, if it had taken this course, might properly have decided that the economic effects of the

combination could not be dissipated in a short time.

On the other hand, a provision that restricted the operation of paragraph 24 (a) to a fixed period of years would have had no necessary relevance to the kind of economic power with which the court was dealing. Appellants' power to exclude others from the industry and to collect royalties flowed from appellants' patents and could be exercised by appellants as long as the patents were alive. If the duration of paragraph 24 (a) had been a specified period of years, its life would have exceeded the life of some of the patents in the combination, and been shorter than the life of some of the others.

The propriety and, indeed, the necessity of providing that paragraph 24 (a) should run for the life of the patents can be shown by reference to an important aspect of the economic problem that the District Court faced. Paragraph 24 was designed to dissipate the consequences of appellants' misconduct by promoting competition and encouraging new and independent enterprises. It is doubtful whether this purpose could have been accomplished by a provision that restricted the use of the patents for any period of time shorter than the life of the patents or that was expressed in terms so indefinite that it was uncertain how long the restriction would continue. This was particularly true of that provision of

the paragraph which requires that licenses be granted to all applicants. Those in the industry who were not parties to this conspiracy could hardly be expected to adopt an independent competitive attitude, to enter fields hitherto denied to them, and otherwise to throw off the restraints of the regimented market created by appellants if they knew that within some specified period of time, say five years, the appellants would again be free to exclude them from the market. Nor was it likely that these persons would assume the burdens and risks of independent competitive activity if the life of paragraph 24 (a) was defined in terms so indefinite that it was uncertain how long their freedom from restraint would last. Similarly, persons considering entry into the industry for the first time would not be encouraged to invest capital or to assume the risks involved in the enterprise if they knew that after a specified period of time the power of appellants' patent combination could again be used to suppress their competition, or if they were uncertain as to how long they would be immune from the exclusionary power of appellants' patents.

The same considerations apply to the collection of royalties. We have shown elsewhere in this brief (*supra*, pp. 90–97) that the payment of royalties on the combination of patents subjects a competitor to an economic disadvantage. A judgment that served notice on the industry that at some time in the

future appellants will be free to exercise their power to exclude unless newcomers pay royalties on the illegal combination of patents, far from stimulating competition, might well discourage competition and new enterprise. Certainly, such a judgment would enable the appellants in the future to resume their dominance over the industry. This dominance is a consequence of appellants' misconduct that inheres in the patents themselves and will continue as long as the patents live. It was appropriate, consequently, for the court to direct that the disability to collect royalties should exist for the life of the patents.

PARAGRAPH 24 (b) COMPULSORY LICENSING AT REASONABLE ROYALTY OF FUTURE PATENTS

Paragraph 24 (b) enjoins each of the defendants (except the Glass Container Association defendants) from distributing glassware or glassmaking machinery in interstate commerce unless each agrees to license, at a reasonable royalty, any applicant to use any of its future patents and inventions relating to machinery used in the manufacture of glassware.

This provision is supported by the same findings of fact and conclusions of law that were cited in support of paragraph 24 (a), *supra*, p. 71.

As a result of the success of the conspiracy, almost all of the research in glassware and glassmaking machinery is carried on today by appellants Corning, Hartford, Owens, Hazel and

Lynch.[70] The effect of the appellants' arrangements has been to discourage competitive research. Even Owens and Hazel have been discouraged from research in feeders. (See Govt. main br., pp. 58, 263–4.)[71] The smaller independent machinery manufacturers who might have had opportunities or incentives for research and invention have been eliminated by the appellants who absorbed or liquidated their businesses. The smaller licensees, who, in most cases, had never been in the machinery business, have little opportunity to invent; they lack the resources, the access to information and the experience that modern research requires.[72]

Appellants seem to deny this on page 165 of their brief where they deal with this provision, but to rely on it at page 185. At the latter point

[70] Because Ball and Thatcher helped materially to place Hartford, Owens, and Corning in a dominant position, they are partially responsible for the present situation by which research and development in the industry are concentrated in the hands of few companies.

[71] Appellants charge (Br. p. 105) that this statement—which also appeared in our main brief (p. 363)—was not supported by "a single record citation." But see our main brief, pp. 58, 263–4, where supporting references are given. As early as 1929, Owens' chief engineer concluded that, as a result of Owens' exclusive license to Hartford, there was "very little to be gained" by further efforts to "conceive new ideas" about feeders (Ex. 624, R. 13280B).

[72] The incentive of the smaller licensees has been destroyed by the license provisions that required them to transfer all improvements and patents thereon to Hartford, and to acknowledge in broad terms the validity of all of Hartford's patents. (See Govt. main br., pp. 168–9, 225–7.)

they object to paragraph 51 of the judgment, which prohibits the acquisition of other than non-exclusive licenses on "competing" patents, on the ground that the "sole market" of the "independent inventor" for his invention consists of those "having the facilities and the capital required to develop the invention" and, they say, appellants would not be interested in acquiring merely a non-exclusive license from the "independent inventor." On the basis of this they argue that paragraph 51, which, of course, imposes restrictions only upon them, "will work to the detriment * * * of individual inventors and of the public generally." Appellants thus concede that they themselves constitute the principal market for new inventions in the industry. Any doubts on this point are settled by the brief filed on reargument on behalf of certain medium sized licenses, as *amicus curiae*. They state (pp. 10–11) that the dissolution of Hartford would leave the industry

> in the control of a few large glass manufacturers which are able to and do maintain their own technical, research, and experimental departments.

Thus, the illegal conduct of appellants has not only given them control of the existing technology of the industry, but it has also placed them in a position where they could reasonably expect to control the future of that technology.

No bare prohibition of past misconduct could remedy this situation. The provisions of the decree that limit the use of existing patents and applications do not affect the power of the appellants to deal as they wish with the applications they may file or the patents they may obtain in the immediate future. The judgment can hardly achieve its purpose if the day after it is entered the appellants are free to begin in the Patent Office a new campaign for dominance in which they can use all the power their present control of research and technology gives them. This power would present real dangers to the objects of the judgment even if the appellants avoided the cruder forms of misconduct in the Patent Office that are now enjoined."[78]

There is, therefore, a need for relief in connection with appellants' future patents. The court's requirement that appellants give licenses at reasonable royalty rates under their future patents was designed to meet this need. As stated by Judge Learned Hand in *United States* v. *Corn Products Refining Co.*, 234 Fed. 964, 1018 (S. D. N. Y.), appeal dismissed, 249 U. S. 621:

> Yet it is a reasonable assurance to take that, when an innate proclivity has so abundantly manifested itself over a period

[78] Hartford in the past has manifested "unusual opposition" to a proposal to make available to licensees any new invention which might replace the present type of feeders (Ex. 1272, R. 13868).

of years, it shall be disabled from further opportunity.

The plan adopted prevents appellants from using their present power to perpetuate control of the industry and at the same time permits them to obtain a reasonable reward from the exploitation of their patents. It also permits their research and development organizations to continue intact.

Appellants contend (br. pp. 103–4, 113–115) that the exclusion of others from the right to make, use, and vend inventions covered by future patents is an innocent attribute of the patent grant and that its exercise cannot properly be enjoined. But acts innocent *per se* are properly enjoined if they are steps in a conspiracy. *United States* v. *Bausch & Lomb Co.*, 321 U. S. 707, 726; *Swift & Co.* v. *United States*, 196 U. S. 375; *Chamber of Commerce* v. *Federal Trade Commission*, 13 F. (2d) 673 (C. C. A. 8). It follows that they may be properly enjoined if they present a threat of a renewal of the conspiracy or of other acts of illegal monopolization, or if that action is necessary to nullify the illegal domination the conspiracy created. The judgment must be molded to meet the danger of subtle moves to circumvent it. Cf. *Union Pacific R. Co.* v. *United States*, 313 U. S. 450, 470. It is settled that antitrust judgments may enjoin not only repetitions of the illegal practices shown to have occurred in the past, but also the performance of similar or related

acts in the future. *United States* v. *Trans-Missouri Freight Assn.*, 166 U. S. 290, 308; *Standard Oil Co.* v. *United States*, 221 U. S. 1, 77–8.

In *United States* v. *E. I. du Pont de Nemours & Co.*, 1 Decrees and Judgments in Federal Antitrust Cases 195, 201 (D. Del.), new competing companies were created and du Pont was required for at least five years to furnish each of two new corporations various facilities and information in reference to "experimentation, development of the art, and scientific research," and other matters upon reasonable terms. The court there recognized that the new companies would be unable to develop their research facilities to compete with those of du Pont without some such provision and that du Pont would otherwise be rewarded for its own wrongdoing. The same principle applies to the conspirators in the instant case.

In *Standard Oil Co.* v. *United States*, 283 U. S. 163, this Court recognized by implication that compulsory licensing of this nature could be granted, when it said (p. 172):

> Unless the industry is dominated, or interstate commerce directly restrained, the Sherman Act does not require cross-licensing patentees to license at reasonable rates others engaged in interstate commerce.

The instant case, of course, is a clear example of domination by cross-licensing patentees and the imposition of direct restraints upon interstate commerce.

Appellants object to this provision because it runs "in perpetuity" (Br. p. 115). The government concedes that the appellants in the future should have an opportunity to prove that the consequences of their misconduct have been dissipated, that competition has been restored in the industry, and that therefore this provision of the judgment need no longer be applicable. They are given that opportunity by paragraph 57 (a) of the judgment in which the court retains jurisdiction for the purpose of enabling any of the parties to apply to the court for a modification of the judgment. In the circumstances of this case, however, the District Court was not required to provide that paragraph 24 (b) should cease to operate on some specified date in the future. The conspiracy in this case had lasted more than 25 years. It is not now possible to predict any certain date when the economic consequences of appellants' conspiracy will have been nullified and competition restored. Furthermore, it was appropriate for the court so to frame the provisions of paragraph 24 (b) that appellants will be required to assume the burden of convincing the court that they have in fact abandoned their illegal practices, that the economic results of their conspiracy have been dissipated, that competition exists in the industry, and that the requirement of compulsory licensing of future patents is no longer necessary.

PARAGRAPH 24 (c)—FURNISHING COPIES OF DRAWINGS AND PATTERNS

The compulsory licensing provisions are properly implemented by paragraph 24 (c) of the judgment (R. 7668), requiring appellants (except the Glass Container Association defendants) further to agree as a condition of employing the channels of interstate commerce that they will make available to any licensee, at cost plus a reasonable profit, any of their drawings and patterns relating to the licensed inventions. As a practical matter, patents as complicated as those here involved seldom reveal all of the details essential to the manufacture and operation of the patented inventions. This provision is necessary to give full effect to the licensing requirement and to avoid useless and perhaps costly repetition of experiments already performed.

Appellants' fears that paragraph 24 (c) may require the handing over of working papers relating not only to commercial models of machines but to "experimental models built for research only" (Br. p. 110) is unfounded. The drawings and patterns which must be made available are limited to those "relating to the machinery or methods used in the manufacture of glassware embodying licensed inventions" (Judgm't par. 24 (c), R. 7668). Since the only inventions which must be licensed are those covered by existing patents and patent applications (Judgm't par. 24 (a), R. 7668)

and future patents (Judgm't par. 24 (b), R. 7668), Subparagraph 24 (c) does not cover drawings or patterns relating to future inventions so long as they remain in the experimental stage. Hence it could hardly cover drawings relating to research models.

This paragraph should not be construed to call for the disclosure of "trade secrets" in the strict sense of that term.

PARAGRAPH 26—INJUNCTIONS AGAINST SUITS ON PATENTS

Paragraph 26 of the judgment (R. 7669) enjoins defendants (except the Glass Container Association defendants) from bringing infringement suits, attempting to interfere with the possession of machinery in the hands of licensees, and attempting to collect royalties, license fees, or profits for the use of patented inventions until the entry of a finding by the District Court that the consequences of their illegal conduct have been fully dissipated.

This paragraph is supported by the same findings of fact and conclusions of law cited in support of paragraph 24 (a) (*supra*, p. 71), and, in addition, by the following findings: F. 43, 44, 167, 169, 184, 185, 202, 274, 279, 280, 303, 304, 350, 359; R. 7287, 7313–14, 7316–17, 7321, 7337–8, 7343, 7351, 7353.

Paragraph 26 is appropriate because in its absence there might be situations in which appellants would be free to use the patents in the com-

bination to exclude others from the industry or to collect royalties, notwithstanding the provisions of paragraph 24. The requirements of the latter paragraph are conditioned on appellants engaging in the distribution of machinery or of glassware in interstate commerce. Hartford, for example, might discontinue the distribution of machinery in interstate commerce and confine its business to the licensing of patents and to research and engineering services. In that event paragraph 24 would not serve to control Hartford's use of the patents now in the combination. Furthermore, even though appellants agree to grant royalty-free licenses they might, if not otherwise restrained, find the means of directly enforcing their patent rights by collecting damages for alleged past infringement, by interfering with the possession of leased machinery or by collecting royalties, license fees, or profits for past use of inventions."

The arguments which support the provisions of paragraph 24 (a) of the judgment (see pp. 71–136, *supra*) likewise support paragraph 26. One aspect of those arguments has particular force as applied to paragraph 26. Appellants contend that the doctrine of the improper use cases is purely "negative" in nature and does not entitle the United States to affirmative relief (br. p. 94). So far as this contention relates to paragraph 24 it is

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[14] See *Westinghouse Electric & Mfg. Co.* v. *MacGregor*, 38 A. (2d) 244, 62 U. S. P. Q. 170 (Pa. Sup. Ct. 1944).

answered elsewhere in the brief (see pp. 100–2, *supra*). But whatever weight it may have as to paragraph 24, it cannot apply to paragraph 26. When the United States brought suit in this case the appellants were using their patent combination to monopolize the entire industry, including trade in unpatented glassware, in violation of the Sherman Act. The United States was therefore in exactly the same position as the petitioner in *Mercoid Corp.* v. *Honeywell Co.*, 320 U. S. 680, who brought suit to enjoin respondent from continuing to threaten infringement proceedings upon a patent used in violation of the antitrust laws against it or its customers. This Court held that the respondent's practice in that case violated the antitrust laws and "that petitioner is entitled to be relieved against the consequences of those acts." The United States is entitled to the same relief here against the general use of legal processes in support of misused and otherwise defective patents. The right of the government under the Sherman Act to protect the public by way of injunction can certainly be no less than that of a private litigant to protect himself and his customers.

It is apparent that the effect of leaving appellants with power to sue would be to enable them to coerce smaller concerns for which submission would be cheaper than litigation. An injunction which deprives appellants of this nuisance weapon as a means of continuing to impose their

will, contrary to the antitrust laws, on small enterprises is clearly proper.

Appellants' suggestion (Br. p. 82) that defendants other than Hartford should be excluded from paragraph 26, as they are from paragraph 22, ignores the fact that the scope of paragraph 26 is as broad as the scope of the exclusory power of the illegal patent pool, and that to modify paragraph 26 as suggested would impair the effectiveness of the judgment in neutralizing the monopoly power of the illegal patent pool. The paragraph is properly applicable to the corporate defendants, in addition to Hartford, and to the individual defendants, since the threat of infringement suits would be harmful to the industry and would defeat the purposes of the judgment, whether the power to bring suits belonged to these defendants or to Hartford.

The Government consents to the modification of subparagraph 26 (b) to meet the objection of appellants (br., p. 79) that it prohibits repossession of a leased machine even if a lessee should refuse to buy it under paragraph 22. After the word "judgment" in the last line of subparagraph 26 (b) (R. 7630), the following should be inserted: "and provided that any such defendant may repossess the machinery in the event that a licensee or lessee fails or refuses to enter into a contract of sale". In the last line of subparagraph 26 (b), "21" should be "22" (see Appendix I, *infra*, p. 243).

PARAGRAPHS 27 AND 28—CANCELLATION OF LICENSES AND CONTRACTS

Paragraph 27 of the judgment cancels the major contracts between the defendants and Paragraph 28 cancels all the lease-licenses of Hartford. The cancellation is in accordance with well-settled principles.

Paragraph 27 is supported by the following findings of fact and conclusions of law: F. 29–36, 40, 48–55, 57, 59, 62, 64, 111, 114–117, 212–222, 238–241, 330, 332, 335, 352, 385, 400–402, 421–432; Concl. 52, 53, 55, 56, 60, 61, 63, 65, 66, 74, 75, 77, 79–84; R. 7283–91, 7299, 7301–2, 7323–6, 7329–30, 7347–8, 7352, 7358, 7361, 7364–6, 7413–19.

Paragraph 28 is supported by the following findings of fact and conclusions of law: F. 39, 41, 60, 147, 249–266, 276, 277, 348, 416, 451, 455–463, 467–476; Conclusions 82–84; R. 7285–6, 7290, 7308, 7331–5, 7337–8, 7351, 7364, 7369–73, 7418–19.

Where a combination or conspiracy has found expression in written agreements, courts do more than merely dissolve the combination and enjoin the defendants from entering into like agreements in the future. They also provide for the cancellation of the illegal contracts. This is the familiar remedy in cases involving the use of patent licenses to control or restrain trade in an unpatented article. *United States* v. *Bausch & Lomb Optical Co.*, 321 U. S. 707, 724; *United States* v.

Univis Lens Co., 316 U. S. 241, 254; *Ethyl Gasoline Corp.* v. *United States*, 309 U. S. 436. Illegal contracts involving the use of tying clauses in violation of Section 3 of the Clayton Act are commonly cancelled by the courts. *United Shoe Machinery Co.* v. *United States*, 258 U. S. 451, *International Business Machines Corp.* v. *United States*, 298 U. S. 131. The fact that licensees under these contracts are not parties to the suit is immaterial. *United Shoe Machinery Corp.* v. *United States*, 258 U. S. 451, 456.

Appellants object to the cancellation in their entirety of the 1932 Hartford-Hazel agreements, the 1933 Hartford-Lynch agreement, and the 1935 Hartford-Owens agreements, although they have no objection to the cancellation of any features in those contracts which this Court may find to be unlawful (br. p. 116). The District Court concluded that these contracts violated the antitrust laws (Concls. 60–1, R. 7414; 63, R. 7415; 79–81, R. 7417–7418). Therefore, they were properly cancelled in their entirety, even though certain provisions in these contracts may have been lawful. *Ethyl Gasoline Corp.* v. *United States*, 309 U. S. 436, 461; *United States* v. *Univis Lens Co.*, 316 U. S. 241; *United States* v. *Bausch & Lomb Optical Co.*, 321 U. S. 707, 724. In the *Univis* case, the defendants, as in this case, urged upon this Court the validity of some of the license provisions and argued that they should not be stricken along with the illegal

features. This Court said that even though some of the restrictions were valid, they (316 U. S., at 254)—

> * * * are so interwoven with and identified with the price restrictions which are the core of the licensing system that the case is an appropriate one for the suppression of the entire licensing scheme even though some of its features, independently established, might have been used for lawful purposes. * * *

Appellants also object to the cancellation of the 1940 agreements between Hartford and Ball, Lynch and Corning (br. pp. 116–117) which were entered into after the commencement of this suit. As defendants themselves concede (br. p. 117):

> If these 1940 agreements, above described, had been entered into against the wishes and without the knowledge of the trial court and of the Department, cancellation thereof might be in order—for suit had already commenced. * * *

That they were entered into without the knowledge of the District Court is shown by its opinion (Op. R. 157)[75] and by Hartford's original brief (pp. 71–72) where it is said:

> Though these cancellations were entered into after some discussion in court and with

[75] The district court said (Op. R. 157): "* * * important steps and changes have been made by Hartford during the pendency of this suit and without the knowledge of the court."

Government counsel—it is not suggested that they were submitted in advance to either for approval. They were made without awaiting any settlement—but for the purpose of *pro tanto* meeting the Government's demands. These cancellations were reported to the court in the supplemental answer filed by Hartford October 18, 1940—though details such as the considerations paid to Corning and Ball were not there set forth.

Appellants attack paragraphs 27 and 28 on the ground that cancellation is unnecessary since "all of Hartford's licenses" now are "simple, non-exclusive, unlimited" licenses (Br. p. 117). This statement is to be contrasted with *uncontested* finding 513 (R. 7379) that the license to Ball, dated August 1, 1940, restricts Ball from using Hartford inventions to manufacture bulbs and other items in Corning's field and "is still in effect." Moreover, the District Court found (F. 212, R. 7324; F. 231, R. 7328; F. 517, R. 7380) that the existing Hartford license agreements with nine other licensees, including Hazel, Thatcher and Anchor Hocking, contain restrictions and are still in force (see Govt. main br. 183, fn. 70).

PARAGRAPH 29—ABOLITION OF LICENSE RESTRICTIONS

A. Introduction

This paragraph prohibits in some detail the use of restrictive licensing provisions and discriminatory practices imposed through licenses. It ap-

plies to all of the defendants with the exception of the Glass Container Association and the individual defendants associated therewith. It implements and complements Paragraphs 21 through 24 of the decree, as well as Paragraph 26. It prohibits the use of restrictive licensing provisions as found in this case, in connection with the patents and patented machinery involved herein.

Restrictive patent licenses constitute one of the most frequent means of attempting to circumvent the policy of the patent and antitrust laws. Perhaps no case has come to this Court in which such extreme use of restrictive licensing has been developed to control an industry as in this case. The evil in this system of restrictive licensing is not alone in the direct restrictions thus imposed. Less obvious, but equally harmful, is its emasculatory effect upon the persons restricted. Instead of devoting his efforts to compete and thus maintain or enlarge his place in the industry, the licensee is inclined to indulge in the belief that he has acquired a vested interest in seeing that the license restrictions are enforced against others."[76] A nadir of competition is reached when the licensee

[76] The interests of the Hartford licensees may be indicated by a communication from an officer of Buck Glass Company to appellant F. G. Smith, dated May 23, 1935, which states in part (Ex. 2001, R. 14631-2):

"* * * I talked to Jim Morrison of the Obear Nestor Company, and he stated that they had a feeder

begins to place more value on the restrictions in the licenses to others than on the license to him."

We think that where a licensing system has been so abused through the use of restrictions as in the instant case, the defendants should be enjoined from ever again using licenses for the purpose of imposing restrictions upon the industry, or any member thereof, which have the effect of restraining the freedom of competition required under the Sherman Act.

Paragraph 29, as it now stands, applies to products other than glassware. Although, for the reasons set forth at pp. 379–380 of the Government's main brief, we think this provision

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which could be built and sold free of interferences from you, * * *."

* * * * *

"My advise to Morrison was as follows:

"'The only really effective control exercised in our industry is through the Hartford agreements. If another feeder comes into the market, it might reduce the amounts of royalties paid by various people now, but it would entirely destroy the protection which various people enjoy in their principal lines. I, therefore, advise you, for the good of the industry and your own operating company, to work out some plan with Hartford whereby you can realize on the feeder and, at the same time, maintain the various ware alignments which now exist in the industry'" (Cf. Op. R. 104).

[11] Cf. *Cummer-Graham Co.* v. *Straight Side Basket Corp.*, 142 F. (2d) 646 (C. C. A. 5), where a licensee sued a patentee for not enforcing a price-fixing restriction against other licensees.

justifiable, particularly as applied to products other than glassware that can be made on glass-making machinery, we do not object to having the paragraph confined to glassware, glass-making machinery, and patents pertaining thereto, as defined in paragraph 1 of the judgment. See Appendix, *infra*, pp. 244–246.

B. Paragraph 29 as applied to glassware and glass-making machinery

1. SUBPARAGRAPHS 29 (A) AND (B)—INJUNCTION AGAINST RESTRICTIVE LICENSING

Subparagraph 29 (a) enjoins the defendants from inserting any provision in any license agreement which restricts—

> (1) the type or kind of product (whether glassware as defined in subparagraph 1 (c) of this judgment or any other product whatsoever)[78] which can be produced with or upon machines or equipment or processes embodying inventions licensed under patents or patent applications owned or controlled by him or it, (2) the use of such product so produced, (3) the character, weight, color, capacity, or composition of the product so produced, (4) the quantity thereof so produced, (5) the market (either as to territory, customers, or class

[78] This parenthetical clause is the one referred to in the preceding paragraph. In Appendix I, pp. 244–246, we have redrafted Paragraph 29 to limit it to the glass industry.

of customers) to or in which the same may be sold or distributed, (6) the price or terms of sale or other disposition of such products, or (7) the use of any machinery or equipment distributed, or patented inventions licensed, by him or it, to use in connection with any other machinery or equipment distributed, or inventions licensed, by him or it, or to use in any specified plant or locality;

Subparagraph 29 (b) enjoins the defendants from inserting any provision in any license agreement which "gives or purports to give a right to terminate any license if any machinery or equipment" is used in a manner prohibited by any license restriction enjoined in subparagraph (a).

Subparagraphs 29 (a) and 29 (b) are supported by the following Findings of Fact and Conclusions of Law: F. 29, 39–41, 53, 57–61, 116, 147, 196, 212, 249, 254–266, 275, 373, 386, 393, 404, 407, 410, 412, 413, 416, 420, 422, 424, 425, 432, 450, 451, 455, 457–460, 463, 466–468, 471–474; Concls., 82–84; R. 7283, 7285–7286, 7289–7290, 7302, 7308, 7320, 7323, 7331–7335, 7337, 7355, 7358, 7360, 7362–7366, 7369–7373, 7418–7419.

Although Hartford eliminated—after the beginning of the suit—most (but not all—*supra*, p. 151) of the restrictions in its license agreements, defendants still vigorously insist upon their right to reirstate these provisions. They assert that these restrictions are "normal" exercises of the patent

privilege so long as they are imposed by a single patentee and not pursuant to an illegal conspiracy (Br. pp. 134–35). We do not admit the legality in the circumstances of this case of the restrictions prohibited by this paragraph even when imposed by a single licensor. But in any event, in this case if appellants are permitted to impose the types of restrictions enjoined in Paragraph 29 (a), there is nothing to stop Hartford from once again creating monoplies in the production of various items of glassware. Similarly, Owens could license the suction machine, as it did in the past, to erect a network of private monopolies. As the district court observed in its opinion (Op. R. 100–101), it was through the restrictive licensing policy of Owens in the early history of the industry that restraints in the glassware industry were perpetuated.

The district court found that the purpose of the Hartford licensing system was to achieve stabilization in the unpatented glassware industry, which, he concluded in his opinion, resulted—and was intended to result—in "a quieting and levelling off of competition for the ultimate purpose of attaining price stability in a price structure that would be highly remunerative to the parties concerned" (Op. R. 94). The district court found, that although other defendants joined in this licensing policy, it was "Hartford's policy."[*]

[*] F. 450, R. 7369 states: "In 1917 and at all times thereafter Hartford planned its licensing policy so as artificially to restrict the production of glassware and to ex-

Indeed, defendants boast that Hartford's licensing restrictions—which even Hartford concedes "indirectly affect" competition (Hartford main br. p. 122)—were adopted *"by Hartford alone"* (Hartford main br. p. 53). The district court found that as early as 1917 *Hartford* planned to stabilize the industry (F. 450, R. 7369); that *Hartford* "limited and restricted competition" through the insertion of the restrictions outlawed in paragraph 29 (a) in its license agreements (F. 473, R. 7372; see also F. 456, R. 7370; 460, R. 7371; F. 463, R. 7371).

There is no support in the case law for the appellants' assertions that it is only combinations to impose the types of restrictions prohibited in paragraph 29 (a) which may be enjoined (br. pp. 120–121). Any restriction by a single patent licensor in any single license agreement which is designed or which is shown to have the effect of controlling the supply or price of an unpatented article, is outside the scope of the patent monopoly granted by the patent laws, and violates the Sherman Act. *Morton Salt Co.* v. *Suppiger,* 314 U. S. 488; *Ethyl Gasoline Corp.* v. *United States,* 309 U. S. 436; *International Business Machines Corp.* v. *United States,* 298 U. S. 131; *Leitch Mfg. Co.* v. *Barber Co.,* 302 U. S. 458; *Carbice Corp.* v. *Amer-*

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clude newcomers from the industry in order to achieve stabilization in the industry generally, and particularly in order to stabilize the prices at which glassware was sold" (Ex. 395).

ican Patents Corp., 283 U. S. 27; *United States* v. *Univis Lens Co.*, 316 U. S. 241, 250–252.

The right to control the marketing of the unpatented glassware is not within any patent monopoly. "A patent operates to create and grant to the patentee an exclusive right to make, use and vend the particular device described and claimed in the patent. But a patent affords no immunity for a monopoly not within the grant, *Interstate Circuit* v. *United States*, 306 U. S. 208, 228, 230; *Ethyl Gasoline Corp.* v. *United States*, 309 U. S. 436, 456, and the use of it to suppress competition in the sale of an unpatented article" is unlawful. *Morton Salt Co.* v. *Suppiger Co.*, 314 U. S. 488, 491. "Beyond the limited monopoly which is granted, the arrangements by which the patent is utilized are subject to the general law." *United States* v. *Masonite Corp.*, 316 U. S. 265, 277. A patentee "may not, by virtue of his patent, condition his license so as to tie to the use of the patented device or process the use of other devices, processes or materials which lie outside of the monopoly of the patent licensed; [citing cases]; or condition the license so as to control conduct by the licensee not embraced in the patent monopoly." *Ethyl Gasoline Corp.* v. *United States*, 309 U. S., at 456. In *American Equipment Company* v. *Tuthill*, 69 F. (2d) 406 (C. C. A. 7), the court applied these principles to a restriction as to the quantity of an unpatented

article (brick) to be made on a patented machine, saying (p. 409):

> The agreement, so far as it licensed the use of the patented machine or device used to make brick, was unobjectionable. It was an exercise of a right given the patentee by his patent grant. In so far as it fixed, curtailed, and allotted the number of brick which each licensee could make, however, the agreement was subject to the antitrust laws of the State of Illinois and the United States.

Cf. *Barber Colman Co.* v. *National Tool Co.*, 136 F. (2d) 339 (C. C. A. 6).

In the final judgment in the *Univis* case, entered in the District Court after the mandate of this Court in that case, all the Univis license agreements were cancelled [30] and all the defendants were enjoined "from entering into any combination or conspiracy similar in effect or purpose with the agreements * * * herein declared illegal." [31] But the judgment did not stop there. It also enjoined all the defendants—both the individuals and the corporations—"from including in any future patent license or other agreement" any restrictions of the types which this Court there held to be unlawful. [32] This prohibition was not limited to restrictions entered into pursuant to a combina-

[30] *United States* v. *Univis Lens Co.*, Civil Action No. 10-392, S. D. N. Y., entered September 28, 1942, Section 2.
[31] Id., Section 3 (c).
[32] Id., Section 3 (b).

tion or conspiracy. The restrictive license agreement itself supplies the "contract * * * in restraint of trade" required by Section 1 of the Sherman Act to exist in order to invoke the injunctive provisions of the Act.

Appellants cite cases which, they assert, demonstrate the legality of the types of restrictions enjoined in subparagraph 29 (a) (Br. pp. 122–124). But the decisions of this Court cited do not support appellants' position; at the most they hold only that a single patentee may restrict the use of the *patented article itself* provided that the Court is satisfied that the restriction is "normally and reasonably adapted to secure pecuniary reward for the patentee's monopoly." *United States* v. *General Electric Company*, 272 U. S. 476, 490.[*] These decisions did not involve restrictions upon competition in unpatented goods produced on a patented ma-

[*] The area within which a licensor may impose restrictions without violating the antitrust laws has been steadily narrowed by this Court. Cf. *Bement* v. *National Harrow Co.*, 186 U. S. 70, with *Motion Picture Patents Company* v. *Universal Film Company*, 243 U. S. 502; *United States* v. *General Electric Company*, 272 U. S. 476, with *Ethyl Gasoline Corp.* v. *United States*, 309 U. S. 436; *United States* v. *Univis Lens Co.*, 316 U. S. 241, and *United States* v. *Masonite Corp.*, 316 U. S. 265; *Leeds & Catlin Co.* v. *Victor Talking Machine Company* (*No. 2*), 213 U. S. 325, with *Mercoid Corp.* v. *Midcontinent Co.*, 320 U. S. 661.

chine."[44] The most recent of these decisions sustaining a restriction upon the use of a patented article, *General Talking Pictures Corp.* v. *Western Electric Co.*, 305 U. S. 124, was by a divided court,[45] and the ruling should not be extended in a manner which will bring it into conflict with the basic principle (see Govt. main br. pp. 240, 249–250) that a patent may not be used to control an unpatented commodity. "Since patents are privileges restrictive of a free economy, the rights which Congress has attached to them must be strictly construed so as not to derogate from the general law beyond the necessary requirements of the patent statute." *United States* v. *Masonite Corp.*, 316 U. S., at 280. "* * * the public policy which includes inventions within the granted monopoly excludes from it all that is not embraced in the invention. It equally forbids the use of the patent

[44] The opinions in a number of the cases cited by appellants seem to rest on the reasoning that because a patentee can withhold his patented invention from anyone he can license anyone or everyone to use his invention on any condition he pleases. See particularly *Bement* v. *National Harrow Company*, 186 U. S. 70, 93; *Henry* v. *Dick Co.*, 224 U. S. 1. This reasoning was repudiated by the Court in *United States* v. *Masonite Corp.*, 316 U. S. 265, 277, where the Court said:

"* * * But it will not do to say that, since the patentee has the power to refuse a license, he has the lesser power to license on his own conditions. There are strict limitations on the power of the patentee to attach conditions to the use of the patented article."

[45] Justices Black and Reed dissented (305 U. S., at 128–133).

to secure an exclusive right or limited monopoly not granted by the Patent Office and which it is contrary to public policy to grant." *Morton Salt Co.* v. *Suppiger Co.*, 314 U. S., at 492.

Appellants also argue that to prevent restrictions is to encourage the patentee to preserve his right of exclusivity in his own field and not to permit the invention to be used in other fields (br. pp. 125–6). This is an argument addressed to the public policy of permitting restrictive licensing in general—a question not before this Court. To the extent that the argument is directed against the rule that the owner of a patent on a machine cannot attach conditions to his license that have the effect of controlling trade in the unpatented products made thereon, the argument rests on considerations that have already been rejected by the courts. But in any event, we are here concerned only with the problem whether certain appellants who have shown an innate proclivity to misuse the patent privilege in violation of the antitrust laws, shall be enjoined from forms of licensing which will tend to revive the illegal practices. The effect of prohibiting restrictive licensing by law-abiding patentees has no relevance to the determination of this question. Furthermore, the compulsory licensing provisions of the judgment will, in the instant case, prevent appellants from preserving their right of exclusivity in their own fields.

2. SUBPARAGRAPH 29 (C)—INJUNCTION AGAINST AGREEMENTS NOT TO CONTEST VALIDITY OF PATENTS

PAR. 29 (c) of the judgment enjoins each defendant other than the Association group from entering into any agreement as licensor which expressly provides that any licensee shall not contest the validity of any patent of the licensor. This provision is supported by F. 475–6, R. 7373; Concl. 81, R. 7418.

Many of the Hartford contracts and licenses required the licensees to concede the validity of existent and future Hartford patents.[46] Appellants make no argument against this provision insofar as it applies to agreements not to contest the validity of future patents. Covenants acknowledging the validity of such patents would seem clearly to be contrary to public policy and unquestionably unenforceable if the parties dominate the industry. *United States* v. *Standard Oil Co.*, 33 F. (2d) 617, 630 (N. D. Ill.), reversed on other grounds, 283 U. S. 163. Cf. *Pope Mfg. Co.* v. *Gormully*, 144 U. S. 224.

Their objection is that an agreement by a licensee not to contest the validity of an existing patent is legal (br. 127–8). But even if agreements of licensees acknowledging the validity of the patents under which they are licensed are valid when standing alone, this injunction is necessary to prevent certain illegal forms of such agreements as

[46] See pp. 168–169 of the Government's main brief.

well as the use of the legal forms as parts of an illegal plan. Cf. *Sola Electric Co.* v. *Jefferson Electric Co.*, 317 U. S. 173.

Such agreements were among the devices employed to protect patents which appellants had obtained under circumstances not calculated to assure a correct determination by the Patent Office of the issue of patentability. They were also employed to maintain the monopolistic power of the patent pool indefinitely during the life of additional patents successively added thereto. Acknowledgments of validity which go beyond the scope of the license are illegal. *Pope Mfg. Co.* v. *Gormully*, 144 U. S. 224; *Philadelphia Creamery Supply Co.* v. *Davis & Rankin Co.*, 77 Fed. 879, 881, 882 (C. C. N. D., Ill.). This type of agreement appeared in the Hartford license to Capstan (Ex. 808, Sec. 12, R. 9264).

3. SUBPARAGRAPHS 29 (D) AND 29 (E)—INJUNCTION AGAINST ACQUISITION BY LICENSORS OF EXCLUSIVE RIGHTS TO IMPROVEMENTS MADE BY LICENSEES

Subparagraph 29 (e) prohibits any clauses in license agreements which provide that patent rights to improvements made or acquired by the licensee shall become the exclusive property of the licensor; it does not prohibit the licensor from obtaining non-exclusive licenses on improvement patents.

Subparagraph 29 (d) has a similar prohibition with respect to parts and equipment which con-

stitute improvements on the licensed machinery.

These provisions are supported by F. 470, R. 7372.

We have seen how the device of requiring licensees to transfer to Hartford all rights to improvements in the licensed inventions was used to promote the conspiracy and to increase the power of the pool (Government's main brief pp. 225–7). This device has the effect of depriving licensees of their incentive to improve the leased machines and renders it unlikely that users of machines will patent improvements impairing the monopoly. If permitted in the future, it would continue to centralize in Hartford's hands the entire incentive and responsibility for improving equipment and processes covered by patents in the pool. Whatever may be the law with respect to contracts for the acquisition of improvement patents generally, the employment of this type of agreement by persons whose patents already dominate the industry is in direct contravention of the constitutional purpose "to promote the progress of science and useful arts." The injunction is appropriate.

4. SUBPARAGRAPH 29 (F)—INJUNCTION AGAINST PROVISIONS GRANTING "PREFERENTIAL POSITION"

Subparagraph 29 (f) enjoins defendants as licensors from granting to the licensees or vendees of any patented product or machine

> a preferential position, whether by means of lower rates of royalty, by different provi-

sions of licensing, leasing, or sale, by exclusive licenses, rebates, discounts, a share in net or gross income or any part thereof, or by any other means.

Paragraph 29 (f) is supported by the same Findings of Fact and Conclusions of Law cited in support of paragraph 29 (a) and (b), (*supra*, p. 155, and in addition by the following Findings: F. 93, 111, 123–125, 211, 213, 214, 225–228, 364, 385, 395–397, 400, 402, 403, 421, 427, 429, 435, 461, 462; R. 7295, 7299, 7303–7304, 7323–7324, 7327, 7354, 7358, 7360–7362, 7364, 7366–7367, 7371.

Hartford used each of the devices listed in paragraph 29 (f) to restrain competition in unpatented glassware. Notable examples were the shares in Hartford's income accorded to Hazel and Owens (see Govt. main br. pp. 55, 103–8); the feeders and forming machines licensed royalty-free to Owens (*id.*, p. 55); the rebate to Thatcher and Owens on the royalties they paid for the production of milk bottles (*id.*, pp. 140–2); and the exclusive license to Corning for bulbs, etc., and that to Ball for fruit jars (*id.*, pp. 32–3; p. 155).

Appellants complain that the provisions of this subparagraph constitute a Robinson-Patman Act without the protective provisions of that act permitting quantity discounts and the like (br. p. 132). But appellants have misinterpreted this provision. In the first place, the Robinson-Patman Act does not apply to licenses, but only to sales. In the second place, this subpara-

graph prohibits only the granting by a licensor or vendor of a patented product of "a preferential position." The subparagraph then enumerates the means by which a preferential position may be obtained. Appellants by misinterpreting the words of this subsection manage to change it so as to outlaw reasonable (i. e., nonpreferential) differences in licensing terms.[a] The subsection, like paragraph 23 (R. 7666), is clearly directed against unfair discrimination and should not be interpreted to prevent quantity discounts justified by savings in costs, or variations in terms required by changes in costs or by general market conditions.

PARAGRAPH 30—INJUNCTION AGAINST DEFENDANTS' MAKING ILLEGAL AGREEMENTS WITH HARTFORD

This paragraph enjoins appellants, other than Hartford and the Glass Container Association, and associated individual defendants, from entering into any license agreement with Hartford containing any of the provisions prohibited by paragraph 29. It is supported by the same findings of fact that were cited in support of paragraph 29 (*supra*, pp. 155, 163, 165–6).

[a] For example, see appellants' brief at page 131 where they state: "The giving of any *provision* to one licensee, lessee or vendee which is not given to another—irrespective of how reasonable that difference may be—is under all circumstances prohibited as *preferential*." [Italics supplied.] The language of the subsection, however, prohibits only the giving of a preference.

Although appellants concede that this paragraph is limited to "dealings between Hartford and the other defendants" (br. p. 134), they object to it on three grounds.

First, they contend that it prohibits all license restrictions, rather than those constituting "part of * * * an illegal conspiracy" (br. p. 135). This argument has been answered *supra*, pp. 157–162, in connection with Paragraph 29. Second, they object to the inclusion in this paragraph of those corporate defendants who "have not unlawfully participated" in the practices condemned (br. p. 134). But the district court found that all the corporate defendants included in this paragraph did participate in the imposition of the unlawful license restrictions (F. 469, R. 7372, Concls. 82–84, R. 7418–9). See pp. 156–7, *supra*. Third, the appellants object to the inclusion in the injunctions of this paragraph of any of the individual appellants, none of whom, they say, "has been shown personally * * * to have granted or received licenses in their lives" (br. p. 134). Appellant C. B. Belknap purchased the outstanding, restrictive licenses issued by T. R. & B. to their feeder licensees, at the same time giving to a company, jointly owned by Hartford and Owens, an option to acquire these licenses. (U. F. 144, R. 7307–8). Moreover, even if this were not the case, as we have shown earlier (*supra*, pp. 7–15), each one who participates in a conspiracy can be enjoined from en-

gaging in all unlawful acts of the type committed by each of his co-conspirators pursuant to the conspiracy, even though he himself did not commit the specific type of unlawful conduct enjoined.

PARAGRAPH 31—COURT APPROVAL OF CERTAIN AGREEMENTS

Appellants persist in their misconstruction of the language of paragraph 31 of the judgment (R. 7673–4), which provides that the form of certain new agreements shall be subject to the approval of the court (br. pp. 135–7). They complain that the requirement is so extreme as to prevent one of the corporate defendants from entering into a contract of employment with one of its own officers, or an individual defendant from purchasing a house from another individual defendant without approval of the court (br. p. 136). A fair reading of this paragraph will disclose, however, that it applies only to agreements "made pursuant to this judgment." It reads as follows (R. 7673–7674):

> 31. The form of any agreement between any of the defendants and of any license agreement made pursuant to this judgment and to which any of the defendants is a party, shall be subject to approval of this Court, on petition by any defendant proposing to enter into such an agreement, on ten (10) days' notice to the Attorney General; provided, however, that it shall be unnecessary to obtain the approval of the

> Court as to the form of any agreement which is identical (except as to parties, dates, number, and types of machines involved) with any form theretofore approved by the Court.

We believe this provision is limited to (1) agreements between any of the defendants made pursuant to the judgment; and (2) any license agreements to which any defendant is a party made pursuant to the judgment. The evidence of planned evasions of the antitrust laws on the part of the appellants is so strong as to require that all agreements made between them pursuant to the judgment (i. e., those agreements, licenses and other contractual arrangements that appellants make in consequence of or to comply with the provisions of the judgment) shall be submitted to the scrutiny of the court.

No particular hardship upon the individual defendants arises from this paragraph which merely requires their agreements made pursuant to the judgment be subjected to the scrutiny of the court. It is expected that most of the agreements covered by the judgment will be corporate agreements and not those of individuals.

PARAGRAPH 32—INJUNCTION AGAINST INTERFERENCE BY DEFENDANTS WITH ISSUANCE OF LICENSES BY HARTFORD

This paragraph prohibits the defendants other than Hartford from inducing Hartford to seek the advice or permission of any of the other defend-

ants before licensing newcomers or before allowing existing licensees to manufacture additional types, kinds or amounts of glassware.

This paragraph is supported by the following findings of fact: F. 121–2, R. 7302–3; F. 242–4, R. 7330; F. 393, R. 7360; F. 401, R. 7361; F. 404, R. 7362; F. 410, R. 7362; F. 441–2, R. 7368; F. 469, R. 7372.

An agreement, understanding, or course of conduct which required or caused Hartford to obtain the consent or permission of its existing licensees before granting additional licenses would be unlawful under the antitrust laws. The patent law gives a licensee no power or privilege that protects an arrangement of this kind. Cf. *Interstate Circuit* v. *United States*, 306 U. S. 208.

Appellants object to this paragraph on two grounds: First, that it "discourages" defendants from "individually giving any advice" to Hartford respecting its licensing policies (Br. p. 138). But this paragraph only prohibits defendants from "requiring, requesting or inducing" Hartford to obtain their advice or consent to licenses before licensing others. It does not prevent consultation with or giving advice to Hartford.

Secondly, appellants object to the paragraph because, they say, the record does not indicate that Hartford was ever required to obtain the consent of any licensee (except Owens) before granting licenses to others (Br. p. 138). The District

Court found, however, that various defendants, in addition to Owens, frequently did induce Hartford not to grant or extend licenses (F. 469, R. 7872).

The very fact that appellants object to this paragraph affords ground for suspicion concerning their future intentions.

PARAGRAPHS 33–36—RESTRAINTS UPON INTERLOCKING INVESTMENTS AND OFFICE HOLDINGS

Paragraph 33 of the judgment enjoins the individual defendants from holding or controlling securities of more than one corporation engaged in the manufacture and sale of glassware or machinery used in the manufacture of glassware. Paragraph 34 requires that any individual defendant who since the complaint was filed has transferred the ownership or control of such securities in any company in which he was not an officer or director shall submit a statement identifying the transferee. Paragraph 35 enjoins the individual defendants from holding an office or directorship in more than one corporation in the above industries. Paragraph 36 (A) enjoins the corporate and individual defendants (except for the Glass Container Association defendants) "from acquiring, purchasing, holding, or controlling" any of the assets or securities of another *defendant* corporation, and Paragraph 36 (B) imposes the same requirement with respect to

other corporations in the glassware and glass-making machinery industries.

These paragraphs are supported by the following findings of fact and conclusions of law: F. 50, 56, 84–86, 89, 90, 132, 143, 144, 171–4, 180, 245–7, 251, 328, 334, 366, 367, 377, 379, 380, 390, 398, 399, 408, 409, 411, 414, 415, 417, 418, 436, 439; Concl. 49–51, 54, 58, 62–4, 69–73, 76, 77; R. 7288–9, 7294–5, 7305, 7307, 7314, 7316, 7330–2, 7347–8, 7354–9, 7361–4, 7367, 7412–17.

These provisions against the individual or corporate defendants holding securities in any other company in the industries affected and against the individuals being officials of more than one corporation in such industries are plainly designed to insure the maintenance of competition in the future. The reasonableness of these paragraphs as a means of preventing the companies from collaborating and refraining from competition is apparent upon their face.

Provisions against stockholdings in competing companies or in component parts of a combination to be dissolved are familiar in antitrust decrees. *Continental Co.* v. *United States*, 259 U. S. 156, 175; *United States* v. *Union Pacific R. Co.*, 226 U. S. 470, 475–476. Cf. *Northern Securities Co.* v. *United States*, 193 U. S. 197, 355; *United States* v. *Union Pacific R. Co.*, 226 U. S. 61, 96–97; *Standard Oil Co.* v. *United States*, 221 U. S. 1, 79. In *United States* v. *American To-*

bacco Co., 1 Decrees and Judgments in Federal Antitrust Cases 165, 189, and in *United States* v. *E. I. du Pont de Nemours, id.*, 195, 204, the several concerns into which each of the monopolies was divided were enjoined from having common officers or directors for a period of five years and the individual defendants were forbidden to increase their stockholdings in the new or old concerns for a period of three years, unless they purchased from one another.[*] In *United States* v. *Union Pacific R. Co.*, 1 Decrees and Judgments in Federal Antitrust Cases 208, 215, the Southern Pacific and its subsidiaries were permanently enjoined from having any common officer or director within the Union Pacific or it subsidiaries.

The device of interlocking directorates and security ownership in several companies was availed of by defendants in this case to carry out their conspiracy. The collaboration of Corning and Hartford was assured by the ownership of Hartford's stock by officials of Corning (either directly or through Empire), and also by the presence of four of these persons on Hartford's board of directors. (See Govt. main brief, p. 8.) Levis, president of Owens, became a director of its competitor (R. 1978), Hazel, in order to look out for Owens' interests (*id.*, pp. 110–111). He was also

[*] The du Pont decree permitted an individual to increase his interest in any one of the concerns after all his holdings in the others had been disposed of.

a large stockholder in Lynch and Thatcher (*id.*, pp. 130, 140).

The appellants urge that these paragraphs should be modified in two respects (Br. p. 145). First, they argue that such provisions should apply only to those defendants who engaged in the particular practices enjoined in these paragraphs. This suggestion rests on the erroneous assumption (see pp. 11–15, *supra*) that a member of a conspiracy may only be restrained from repeating his own particular contribution to the joint plan. Furthermore, it cannot be said that none of the defendants except those who were involved in the conduct forbidden by these paragraphs in the past would engage in such obvious methods of eliminating competition in the future when their brethren had shown them the way. The application of the paragraphs to all of the defendants thus complies with the principles set forth in *National Labor Relations Board* v. *Express Publishing Co.*, 312 U. S. 426, discussed, *supra*, pp. 8–10.

Appellants also make the contention, in various forms (Items 2, 3, and 4 on p. 145), that only those acquisitions of securities and assets and those joint officers or directorships which will substantially lessen competition should be enjoined. But the paragraphs are restricted in their operation to companies in the glassware and glass-machinery industries, those in which the defendants did prevent competition by this and other

means. Any company in these industries is either an actual or a potential competitor of any other."

The modifications proposed would permit intercorporate relationships to exist until the Government proved that competition was restrained. This would amount in substance to no more than a repetition of the broad prohibitions of the Sherman and Clayton Acts. Certainly a decree which enjoins the defendants from again availing themselves of the devices which they have used to violate the law is justified without any such self-defeating qualification. If a defendant can show in the future some exceptional situation in which the concerns in which he or it might invest could not possibly be competitive, he is free to apply to the district court under Paragraph 57 for permission to make the investment. But to insert the general modification requested because of the theoretical possibility of such situations would destroy the efficacy of this part of the judgment.

Appellants assert that two years is not enough time for stockholders to divest themselves of holdings as required by these paragraphs (Br. pp. 39, 140, 146). We think that two years from the effective date of the judgment is adequate. This period will not begin to run until after the decision of this Court, and the defendants have already had ample

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"Appellant Levis of Owens testified (R. 2207) that "everybody in the glassware business was 'a direct competitor of Owens.'" He said, "I think we made everything, and everybody else made something."

and fair warning that such action might be necessary.

Appellants make other criticisms of these paragraphs which relate simply to their form. The two-year limitation was written into Paragraph 33, which was primarily concerned with securities presently held, and is not contained in Paragraph 36, which, as appears from the addition of the words "acquiring" and "purchasing," was mainly concerned with future acquisitions as to which no such limitation would have been meaningful. We have no doubt that, to the extent that the language of Paragraph 36 also may be said to reach securities presently held, the specific two-year clause of Paragraph 33 would be applicable. If this be thought doubtful, Paragraph 36 should be changed so as to state this clearly.

Appellants also object to Paragraph 36 because it "would seem to prohibit an individual defendant from holding stock in any corporate defendant if he were not an officer or director of any corporate defendant" (br. 140).

Appellants misunderstand the provisions of this paragraph. The injunctions apply to defendants—as the words of the paragraph clearly state—"while [they are] engaged either in the manufacture and sale of glassware or in the manufacture or distribution of machinery to be used in the manufacture of glassware" (R. 7677-8). If individual defendants cease to be officers or direc-

tors of a defendant corporation, they would presumably no longer be engaged in the business, and would be able to affiliate with one other similar corporation and to hold stock in any single company in the industry.

Appellants correctly observe that paragraph 36 (B) prohibits the individual defendants "from acquiring any of the assets of any other corporation engaged in the glassware business * * * irrespective of their having terminated their connection with any corporate defendant" (br. 143). They object to this provision, among other reasons, because, they say, "there is no finding that any individual defendant ever acquired the assets of a single glassware corporation, firm, or individual" (br. p. 144). *Uncontested* finding 144 (R. 7307–8) states that appellant C. B. Belknap personally acquired the licenses (which were certainly "assets") issued by Tucker, Reeves, and Beatty to their feeder licensees, at the same time giving a company jointly owned by Hartford and Owens, an option to acquire these licenses. Appellants also charge that there is no "finding" that Corning or Hazel-Atlas ever acquired the assets of another glassware corporation (Br. 144). It is true that there is no finding to this effect, but the record is clear that Corning consolidated with MacBeth-Evans—a glassware manufacturer—in 1936 (Ex. H–5750, R. 15446) and that Hazel acquired Hygeia Glass in 1930 (Ex. H–5750, R.

15441). We have already noted Owens' extensive acquisitions of other manufacturers (*supra*, p. 92, footnote 54). Those of Ball and Thatcher are discussed in our main brief, pp. 146–7, 149–151, 156–7.

PARAGRAPHS 37–59—REORGANIZATION OF THE GLASS CONTAINER ASSOCIATION

In its opinion the District Court stated that the Glass Container Association (Op. R. 159–160)—

> has engaged in unlawful practices through its cooperation in the furtherance of some of the aims of the conspiracy. In addition, it has been shown that it is a breeding place for many of the illegal practices established herein, and provides a channel through which they are effectuated. However, the court does not believe that dissolution is necessary. But its trade association activities must be stopped, as well as all the other unlawful practices in which it has been engaged. The court believes it best that it shall continue merely as a statistical and research body, and shall not go afield in an effort to dictate to the industry, or be used for that purpose. Hence its personnel must be changed. This will include the membership of its Board of Directors and its officers. The new members are to be subject to the approval of the court, and shall have no connection whatsoever with any of the defendants herein. The so-called Statistical Committee must be abolished and no committee of a like nature shall be established in the future.

Paragraphs 37–39 are in strict conformity with this directive. They are also supported by the following findings of fact and conclusions of law: F. 497–508, R. 7376–7; Concl. 85, R. 7419. Paragraph 37 requires the Association to abolish its statistical committee and to refrain from substituting any other committee "having duties, functions or activities of a nature similar to or identical with those of said committee." Having held that the statistical committee appeared "to have been a breeding ground for hatching many of the conspiracies that were involved within the general conspiracy" (Op., R. 92), the district court appropriately provided for the permanent dissolution of this committee.[20] Similar relief was granted in *United States* v. *Chicago Butter & Egg Board*, 1 Decrees and Judgments in Federal Antitrust Cases, 259 (N. D. Ill.).

The Association inquires (br. p. 147) how it can continue as a "statistical body" without some committee to deal with statistics. It was not the dealing with statistics which chiefly characterized the activities of the statistical committee and

[20] The appellee had requested the dissolution of the Association (Ex. H-6118, R. 16271), in view of its employment as a tool by the conspirators in furtherance of the conspiracy. Cf. *United States* v. *Nome Retail Grocery Men's Assn.*, 1 Decrees and Judgments in Federal Antitrust Cases, 86 (D. Alaska); *United States* v. *Trans-Missouri Freight Assn.*, Id. 7 (D. Kans.) (on mandate from the Supreme Court, 166 U. S. 290). The district court denied this request.

called for its abolition; but its efforts "to dictate to the industry" and its successful attempt to carry out a scheme for concerted limitation of production (cf. Op., R. 160). It is this which paragraph 37 of the Judgment (R. 7678) forbids. In view of the district court's statement that the Association should continue "merely as a statistical and research body" (Op., R. 160), it seems clear that a committee whose duties were strictly limited to general statistics and research would not be carrying on activities "similar to or identical with those of" the present statistical committee. Nor does this paragraph prohibit the collection of statistics by the Association other than through the medium of a "statistical committee."

In paragraphs 38 and 39, the Court enjoined the Association from continuing representatives of the other appellants among its officers and directors (par. 38, R. 7679), forbade election or employment of these representatives to these positions in the future, and required the amendment of the certificate of incorporation and bylaws to provide that no person might hold office or employment in the Association who was at the same time an officer, director, or employee of the other corporate appellants (par. 39, R. 7679).

By prohibiting the election or the employment of representatives of the other appellants as officers, directors, or employees of the Association, the

court took the best means, short of its dissolution, of assuring that it would not in the future be made a channel for illegal conspiracies. The effectuation of these remedies through modification of the certificate of incorporation and bylaws was proper. *United States* v. *American Tobacco Co.*, 1 Decrees and Judgments in Federal Antitrust Cases, 185; *United States* v. *New England Fish Exchange*, 258 Fed. 732, 752 (D. Mass.); *Continental Co.* v. *United States*, 259 U. S. 156, 175.

Appellants argue that since none of the officers or employees of the corporate defendants can serve as a director of the Association that the judgment will "deprive 74% of the productive capacity of the container industry of all voice in the Association's operations" (br. p. 147). But there is nothing in the judgment which prevents these companies or any other defendant from holding membership in the Association and exercising the right of a member to vote upon Association policies.

PARAGRAPH 40—INJUNCTION AGAINST AGREEMENTS TO FIX PRICES OR LIMIT PRODUCTION

In paragraph 40 of the judgment (R. 7680), all of the appellants [21] were enjoined from combining, conspiring or agreeing (a) to limit production or

[21] The fact that Corning was not a member of the Association (see appellants' br. 150) presents no reason for excluding it from the operation of this provision. Corning lent its full weight to the campaign to stabilize the industry. To be of any value, the injunction must proscribe the

fix prices or "to coerce, intentionally persuade, cause, impel, advise, or induce" such limitation or fixing; (b) to ascertain the volume of business or make forecasts of estimated demands "where the purpose or effect thereof is to coerce or intentionally persuade" any manufacturer to control production or fix prices; (c) to collect, analyze, or distribute production, sales, costs, or price data where there is any disclosure of data concerning any particular manufacturer or where the purpose or effect is to coerce or intentionally persuade any manufacturer to control production or fix prices,[9] (d) to distribute statistics which are not made available to the general public;[10] (e) to

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methods of stabilization as well as the specific acts by which it has been manifested. Cf. *Hershey Chocolate Corp.* v. *Federal Trade Comm'n*, 121 F. (2d) 968, 971–2 (C. C. A. 3).

[9] A fair reading of the words "where there is any disclosure of data concerning any particular manufacturer" shows that the disclosure referred to is a disclosure to third parties. In the absence of disclosure the activity described in subparagraph (c) is prohibited only where its "purpose or effect is to coerce or intentionally persuade any manufacturer to limit or control production or to fix, raise, or maintain the price of glassware or of such machinery." The agreements, combinations, and conspiracies thus prohibited are illegal under the antitrust law.

[10] Appellants complain (Br. p. 155) that this provision would require it to reveal to the members of competing industries "all that it does by way of research to improve the products and to protect and enhance the business of the industry." This, however, is a misinterpretation of the injunction, which is limited to "statistics or statistical compilations," and furthermore, when reasonably interpreted, applies only to the type of industry statistics which the Association has employed in support of its quota system.

court took the best means, short of its dissolution, of assuring that it would not in the future be made a channel for illegal conspiracies. The effectuation of these remedies through modification of the certificate of incorporation and bylaws was proper. *United States* v. *American Tobacco Co.*, 1 Decrees and Judgments in Federal Antitrust Cases, 185; *United States* v. *New England Fish Exchange*, 258 Fed. 732, 752 (D. Mass.); *Continental Co.* v. *United States*, 259 U. S. 156, 175.

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examine the records of manufacturers other than in connection with the collection of royalties or Association dues; and (f) to allocate or refrain from soliciting customers or to allocate markets. Appellants were further enjoined from participating in any plan for the prorating of business or distributing data concerning the production, sales, costs, or prices of any manufacturer or presenting or discussing such data at meetings or elsewhere in such form as to indicate that any manufacturer has failed to conform to any quota or price. It should be noted that all of these prohibitions relate to action taken in concert.

Paragraph 40 is supported by the same findings of fact and conclusions of law which were cited in support of paragraphs 29 (a), 29 (b), and 37–39, *supra*, pp. 155, 180. In addition, it is supported by F. 383–4, R. 7358; F. 388, R. 7359.

These injunctions have correctly applied to the appellants the law relating to illegal trade association practices. As said by Chief Justice Hughes in *Sugar Institute* v. *United States*, 297 U. S. 553, 599–600:

> And while the collection and dissemination of trade statistics are in themselves permissible and may be a useful adjunct of fair commerce, a combination to gather and supply information as a part of a plan to impose unwarrantable restrictions, as, for example, to curtail production and raise prices, has been condemned. *American*

Column Co. v. *United States*, 257 U. S. 377, 411, 412; *United States* v. *Linseed Oil Co.*, *supra*; *Maple Flooring Assn.* v. *United States*, *supra*, pp. 584, 585.

It is *combination* to disseminate statistics which is enjoyed by subparagraph (1) of paragraph 40 of the Judgment.[*]

It cannot be successfully contended that combinations or conspiracies to do any of the things enjoined by paragraph 40 (1) are legal which have "the effect," without the intent, of coercing any manufacturer into the adoption of such practices, since the absence of an intent to restrain trade, and even the presence of good motives, will not legalize a combination which effects an unreasonable restraint of trade. *United States* v. *American Linseed Oil Co.*, 262 U. S. 371, 390; *Standard Sanitary Mfg. Co.* v. *United States*, 226 U. S. 20, 49. See also cases cited p. 40, *supra*. *Maple Flooring Assn.* v. *United States*, 268 U. S. 563, was decided upon the assumption (p. 572) that the dissemination of trade information was unlawful if it necessarily resulted in fixing prices.

[*] The effect of the phrase in subsection (d) of subparagraph (1) "where the purpose or effect thereof is to * * * intentionally persuade any manufacturer" to adopt such practices is merely to describe the illegal purpose or intent which must underlie the combination or conspiracy and serves to bring the proscribed activities more clearly within the rule of the cases forbidding combinations for those purposes.

The injunction against combinations to disseminate trade data when there is any disclosure of data concerning any particular manufacturer falls squarely within the condemnation of the *Linseed Oil* case and *American Column Co.* v. *United States*, 257 U. S. 377, and *Fashion Guild* v. *Federal Trade Commission*, 312 U. S. 457, 467. It is true that in the *Sugar Institute* case the Institute was permitted to relay price announcements made voluntarily by individual refiners. This, however, was under the peculiar custom existing in the sugar industry to announce price changes for a considerable period in advance of their effective date. Under those circumstances the unreasonable restraint did not lie in the announcements themselves, but in the steps taken to require adherence to them (297 U. S., at 601). Plans to enforce adherence were enjoined in that case. The disclosure of individual data in the instant case can serve no purpose other than to act as a sanction to enforce a plan to limit production or maintain prices. Cf. the *Linseed Oil*, *American Column*, and *Fashion Guild* cases. Hence, it falls within the prohibitions rather than the exception of the *Sugar Institute* case.

Appellants object to subparagraph (2) because it is not "limited to acts in furtherance of an alleged conspiracy" (br. 158). The subparagraph enjoins each of the defendants from

> (2) formulating, promoting, or taking part in any plan with any other corporation for

> the prorating of business or the equitable sharing of available business; * * *

But any plan which is acted upon to accomplish these purposes would require joint action (i. e. agreement) and hence is unlawful *per se*. *American Column Co.* v. *United States*, 257 U. S. 377, 412; *Gibbs* v. *McNeeley*, 118 Fed. 120, 127 (C. C. A. 9); *United States* v. *Eastman Kodak Co.*, 226 Fed. 62, 77 (W. D. N. Y.), appeal dismissed, 255 U. S. 578; see *Apex Hosiery Co.* v. *Leader*, 310 U. S. 469, 497; cf. *Addyston Pipe & Steel Co.* v. *United States*, 175 U. S. 211, 241. The legality of the mere formulation in the mind of any individual defendant of a plan of the type condemned without ensuing action in conformity therewith poses an academic question which does not require consideration here.

Dissemination is enjoined under subparagraph (3) of paragraph 40, only when effectuated in such manner as to indicate that any manufacturer has exceeded any production quota or failed to adhere or failed to conform to any price. The existence of a production quota or of a price to which someone has "failed to adhere" necessarily implies agreement or concerted action. The conduct thus prohibited, therefore, falls within the rule that limitation of production or the fixing of prices by concerted action is illegal *per se*.

PARAGRAPH 41—INJUNCTION AGAINST LIMITING PRODUCTION OR SALE OF FRUIT JARS

Paragraph 41 enjoins Owens, Ball, Hazel, and Hartford, and the individuals associated therewith

> from continuing or entering into any agreement * * * the effect, purpose, or result of which is to restrain or limit whatsoever the production or sale of fruit jars.

This enjoins these defendants from continuing or repeating their unlawful acts and is obviously appropriate.

It is supported by the following findings of fact and conclusions of law: F. 375–384, R. 7356–8; F. 392–4, R. 7360; Concl. 73–77, R. 7416–17.

Appellants' objection that the language is too sweeping (br. p. 161) rests entirely upon imagined contingencies which do not come within the language of the paragraph.

PARAGRAPH 42—INJUNCTION AGAINST ENFORCEMENT OF CONTRACTS RESTRAINING FRUIT JAR PRODUCTION

Paragraph 42 enjoins the enforcement of contracts in which Ball's competitors had agreed to refrain from manufacturing or selling fruit jars, and enjoins Ball from entering into agreements or understandings with any manufacturer "the effect, purpose, or result of which is to restrain or limit whatsoever the production or sale of glass fruit jars."

This paragraph is supported by the following findings of fact and conclusions of law: F. 377–9, R. 7356–7; Concl. 73, R. 7416.

The release by Ball on October 16, 1940, of its competitors from these contracts while this case was awaiting trial, does not defeat the government's right to an injunction against the repetition of this conduct. *United States* v. *Trans-Missouri Freight Assn,* 166 U. S. 290, 308–310; *Federal Trade Commission* v. *Goodyear Company,* 304 U. S. 257, 260. Nor is the fact that Paragraph 42 to some extent overlaps Paragraph 41 of any consequence.

PARAGRAPH 43—SALE OF THREE RIVERS PLANT

Paragraph 43 requires Ball Brothers to offer to sell the Three Rivers plant at a fair price to be determined by the court.

This paragraph is supported by the following findings of fact and conclusions of law: F. 389–91, R. 7359; Concl. 78, R. 7417.

Three Rivers had been in competition with Ball, selling fruit jars at lower prices than those of Ball (U. F. 389, R. 7359), and the district court concluded that the acquisition was in restraint of trade and in furtherance of a plan to obtain a fruit jar monopoly (Concl. 78, R. 7417).

Ball now argues (br. 163):

> there is no evidence that the acquisition by Ball of the assets of this involvent company resulted in a lessening of competition to any substantial degree.

This argument is contrary to *uncontested* finding 389, R. 7359 (*supra*).

PARAGRAPHS 44 AND 45—IMPOUNDED PAYMENTS OF BALL AND CORNING

Under Paragraph 44 of the judgment Ball was directed to pay into the impounded funds the $425,000 paid to it by Hartford under the settlement agreement of August 1, 1940. This payment was in return for Ball's release of Hartford's unlawful promise not to permit newcomers to enter the fruit jar field. Under Paragraph 45 of the judgment Corning was directed to pay into the impounded fund moneys received from Hartford pursuant to the settlement agreements of September 23, 1940, and December 1, 1940, and to retransfer three patents. The settlement agreements provided for the payment by Hartford to Corning of $1,125,000 and the transfer of three patents in return for the cancellation of the unlawful agreements giving Corning exclusive rights in certain fields. The payment to Ball and an instalment of the payment to Corning had been made while this case was awaiting trial.

These paragraphs are supported by the following findings of fact and conclusions of law: F. 65–79, R. 7291–3; F. 509, R. 7378; F. 513, R. 7379; Concl. 52–3, R. 7413.

These payments might have lessened the capital needed in case of Hartford's dissolution, and the transfer of patents to Corning in advance of the decision was plainly intended to improve Corning's position if the suit were lost. The payments compensated Ball and Corning for the relinquishment of illegal advantages over other manufacturers, and were intended as the equivalent of those advantages. For this reason, even though we have no interest in the disposition of the money between the wrongdoers, we suggest that it would be consistent with the policy of putting all competitors on an even footing to deprive Ball and Corning of the cash which they were receiving in lieu of the unlawful restrictions, and to restore to them the rights, if any, they each had at the time the payments were made by Hartford.

Two of the three patents transferred to Corning have now expired; as to them the case is moot. Corning has indicated that it wanted the third patent only to prevent the use of one of its own machines from being blocked, and that it does not object to the dedication of this patent to the public if the transfer was illegal (br. p. 170).

PARAGRAPH 46—FUNDS IMPOUNDED UNDER THE HARTFORD-HAZEL AGREEMENT

The district court, on May 9, 1941, granted a motion of the appellee to impound all payments under the Hartford-Hazel 1932 General License Agreement (R. 519). Paragraph 46 of the final judgment continued the impounding order until the cancellation of the agreement. Although paragraph 27 of the judgment ordered the agreement cancelled, the general stay pending appeal (R. 7745) has permitted the agreement to remain in effect, and accordingly, it has not yet been cancelled (F. 231, R. 7328). Paragraph 46 is supported by the following findings of fact and conclusions of law: F. 211–215, R. 7323–4; F. 220, 222–3, R. 7326; F. 224–228, R. 7327; F. 230–235, R. 7328; Concl. 60–1; R. 7414.

The district court had found, as a basis for the original order, that the agreement was *prima facie* illegal and that it gave Hazel an unfair competitive advantage over other Hartford licensees in whose royalties it was sharing. The court believed that such royalties, as funds of Hartford, might be needed to finance any dissolution of Hartford which might ultimately be decreed, especially in view of the likelihood of a dissipation of assets by Hartford pending the determination of the suit. See court's oral opinion (R. 2683–2687), findings of fact (R. 514–518), and conclusions of law (R. 518). As a "temporary restraining order or prohibition" be-

fore final judgment, this was a proper exercise of the court's authority under Section 4 of the Sherman Act (26 Stat. 209–210, 15 U. S. C., Sec. 4)."[55] See *United States* v. *Coal Dealers Assn.*, 85 Fed. 252 (C. C. N. D. Cal.); *United States* v. *Schine Chain Theatres, Inc.*, 31 F. Supp. 270, 272 (W. D. N. Y.). On general equity principles, the propriety of the order is clear.[56]

The funds so impounded were to be held until further order of the court. The court did not, of course, intend that they be retained permanently. If the appellants should prevail in this appeal, no further step would remain but for the court to distribute the funds to their lawful owners. If the judgment below is affirmed, the 1932 agreement will be canceled, and payments under the impounding order will cease. The funds impounded should then be distributed in a manner

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[55] The pertinent provisions of this section are: "* * * pending such petition and before final decree, the court may at any time make such temporary restraining order or prohibition as shall be deemed just in the premises."

[56] In *United States* v. *American Tobacco Co.*, 221 U. S. 106, this Court said (p. 185) that pending dissolution of the monopoly and re-creation of a situation in harmony with the antitrust laws, the defendants "should be restrained from doing any act which might further extend or enlarge the power of the combination, by any means or device whatsoever."

H. P. Hood & Sons, Inc. v. *United States*, 97 F. (2d) 677 (C. C. A. 1), affirmed, 307 U. S. 588; *American Smelting and Refining Co.* v. *Bunker Hill, etc., Co.*, 248 Fed. 172 (D. Ore.); *Joplin and P. Railway Co.* v. *Public Service Commission of Missouri*, 267 Fed. 584, 587 (W. D. Mo.); cf. *Venner* v. *Pennsylvania Steel Co.*, 233 Fed. 407 (C. C. A. 3).

most consistent with equitable principles. See *United States* v. *Morgan*, 307 U. S. 183, 193–194.

We suggest that the following observations are pertinent as to the principles that the court should apply in this distribution: The 1932 contract gave Hazel an unlawful advantage over its competitors in that it required Hartford to turn over to Hazel one-third of all net income from licensed inventions in excess of $850,000. The amount of the impounded fund contributed by Hartford consists of the amount collected during this period pursuant to this provision. It would not be consistent with the object of the judgment to give this sum to Hazel. To eliminate the unlawful discrimination in favor of Hazel, one of two courses could be followed: (1) the money could be returned to the receiver on behalf of Hartford, or (2) if it is practical to do so, the money could be distributed *pro rata* among the licensees from whom it was collected and who were injured by the conspiracy. Of the two courses the latter would be more consistent with the policy of neutralizing the effects of the conspiracy.

The portion of the fund contributed by Hazel comprises the royalties payable to Hartford under the Hartford license. Hazel should be put in the same position as the other licensees in this respect. The royalties for the period before September 1, 1942, when the royalties paid by other licensees were earmarked to be returned

if the judgment was affirmed, should be turned over to Hartford. The royalties impounded during the period of earmarking should be returned to Hazel on the same terms as those on which the earmarked funds are returned to the other licensees. To the extent that Hazel has contributed engineering services and technical advice to Hartford, Hazel should be compensated from the funds impounded on a *quantum meruit* basis.

PARAGRAPH 47—INJUNCTION AGAINST ENFORCING ILLEGAL THATCHER AGREEMENTS

This paragraph prohibits Thatcher from enforcing an agreement not to compete between Thatcher and J. T. & A. Hamilton Co., as well as a similar agreement between Thatcher and Knox Glass Bottle Co. Appellants have no objection to this paragraph (br. p. 175).

PARAGRAPH 48—INJUNCTION AGAINST ENFORCEMENT OF ILLEGAL LYNCH AGREEMENTS

This paragraph enjoins Hartford and Lynch and the individuals associated with them from enforcing any agreement between them which limits or restricts the terms upon which, or the customers to whom, Lynch may sell forming machines embodying Hartford's inventions, or which requires purchasers of such machines from Lynch to enter into license agreements with Hartford.

This paragraph is supported by the following findings of fact and conclusions of law: F. 335–46, R. 7348–50; Concl. 65–6, R. 7415.

This paragraph merely enjoins the defendants Hartford and Lynch from carrying out their illegal agreements and from entering into similar contracts in the future. It is thus plainly appropriate. Appellants make the same objections to this paragraph as to paragraph 29 (a), but paragraph 48 is obviously more limited in scope. In any event, it is justified for the same reasons that support paragraph 29 (a).

PARAGRAPH 49—SALE OF ED MILLER ASSETS

Paragraph 49 requires Lynch to offer for sale, two years after the war, property which it acquired in 1933 from Ed Miller. This paragraph is supported by the following findings of fact and conclusions of law: F. 314, R. 7345; F. 320–9, R. 7346–7; F. 344, R. 7350; Concl. 63–4, R. 7415.

The District Court concluded that this acquisition was pursuant to an illegal conspiracy with Hartford and Owens to corner the forming machine market (Concl. 64, R. 7415). The requirements of this paragraph are therefore appropriate. *Standard Oil Co.* v. *United States*, 221 U. S. 1, 1 *Decrees and Judgment in Federal Antitrust Cases* 136; *United States* v. *American Tobacco Co.*, 221 U. S. 106, 1 Decrees and Judgments

in Federal Antitrust Cases 165; *United States* v. *Pullman Co.*, 50 F. Supp. 123 (E. D. Pa.)."

Lynch objects to this paragraph on the ground that it and Miller were not in competition (br. 177) and that Lynch has not, through the Miller acquisition, unreasonably restrained trade in the wide-mouth field. The District Court found to the contrary (F. 322, R. 7346; F. 329, R. 7347; F. 344, R. 7350; Concls. 63–64, R. 7415).

PARAGRAPH 50—AMENDING HARTFORD CERTIFICATE OF INCORPORATION SO AS TO DESTROY CORNING CONTROL

Paragraph 50 of the judgment directs Hartford to amend its certificate of incorporation by omitting therefrom the provision requiring the approval of 65% of its shares of common stock or the unanimous approval of its Board of Directors before Hartford can engage in the manufacture or sale of glassware.

Appellants do not object to this provision (br. p. 178).

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[97] Similar decrees, though unreported, were entered in the following cases: *United States* v. *International Harvester Co.* (D. Minn.), Nov. 2, 1918; *United States* v. *Corn Products Refining Co.* (S. D. N. Y.), March 31, 1919; *United States* v. *Eastman Kodak Co.* (S. D. N. Y.), Feb. 1, 1921; *United States* v. *Cement Securities Co.* (D. Col.), Dec. 13, 1924; *United States* v. *Crescent Amusement Co.* (M. D. Tenn.), March 3, 1943.

PARAGRAPH 51—INJUNCTION AGAINST ACQUISITION OF EXCLUSIVE PATENT RIGHTS FROM OTHERS

Paragraph 51 enjoins the defendants from acquiring other than through the Patent Office certain patents, patent applications, or exclusive rights thereunder with respect to inventions on machines used in the manufacture of glassware. A proviso protects the defendants' rights to acquire nonexclusive patent rights and patents covering inventions of their employees.

This paragraph is supported by the following findings of fact and conclusions of law: F. 29, 37, 38, 44, 50, 53, 70, 71, 76, 78, 79, 86, 99, 100, 111, 132, 143, 144, 149, 173, 175, 177, 183, 197, 218, 222, 266, 268, 270, 278, 282, 287, 296, 297, 308–310, 328, 330–3, 444, 482–8, 509; Concl. 49, 50, 54, 58, 59, 62; R. 7283, 7285, 7287–9, 7291–4, 7296, 7299, 7305, 7307, 7309, 7314–16, 7321, 7325–6, 7335–6, 7338–9, 7341–2, 7344, 7347–8, 7374, 7378, 7412–14.

Appellants' monopolistic position was obtained in large part through the illegal acquisition of patents and exclusive rights from others. This paragraph enjoins them from continuing that practice. The patent pool today contains between 900 to 1,000 patents. Of a total of 755 Hartford unexpired patents as of December 31, 1941, 634 related to gob feeding, forming and annealing (Ex. H–6102, R. 11045; Ex. H–6103, R. 11046; Ex. H–6106, R. 11100).

Included in the pool were 48 Empire patents assigned to Hartford (Ex. 973, R. 7987–8011, 8014, 8013–22) and an undetermined number of patents owned by Corning relating to machinery used in the manufacture of glassware which were covered by the 1922 Glass Contract with Hartford (see pp. 73–4, *supra*), and 168 patents owned by Owens, Hazel and Lynch under which Hartford was licensed. These included 82 Owens patents (Ex. H–6104, R. 11064; Ex. O–5953, R. 12035; Ex. 2008, R. 9897), 73 Hazel patents (F. 212, R. 7323; Ex. HA–5076B, R. 9897–9; cf. also Ex. HA–5678, R. 10881; Ex. HA–5679, R. 10,882; Ex. 946, R. 7956), and 13 Lynch patents (F. 332, R. 7348; Ex. 963, R. 9281; F. 335, R. 7348; Ex. 330b, R. 9082; Ex. H–6104, R. 11064). The feeder patents of Ball were rendered incapable of impairing the power of the pool, Ball having given Hartford the first refusal of its feeder patents (F. 385, R. 7358), and Ball owned at least 8 feeder patents at the time of the agreement in 1933 and at least 34 feeder patents in 1938 (cf. Ex. 199, R. 8894–5 with Ex. 1576, R. 8045). Thatcher, Owens, Corning, Hazel, and Ball, as well as other licensees of Hartford, had agreed to license or to assign to Hartford all of their improvement patents in the gob feeding field (F. 470, R. 7372, see e.g., Ex. 1624, sec. 8, R. 9372).

The pool of suction patents includes 34 Owens patents (Ex. O–5952, R. 12029; cf. Ex. O–6183, R. 11100), 80 Hartford patents (Ex. H–5356, R.

10539), 13 O'Neill patents (Ex. O–6097, R. 11029) and all Hazel and Lynch suction inventions (F. 221, R. 7326; U. F. 330, R. 7347).

Included in the patent pool were the patents and patent applications acquired first by Hartford and Empire Machine,[98] then by Hartford,[99] then by Hartford and Owens,[100] then either by Hartford [101] or Owens.[102] The principal acquisitions and the methods by which they were accomplished are described in our main brief (Steimer, pp. 25–26; Hitchcock, pp. 26–27; Howard, pp. 33–35; Miller, pp. 72–74; Tucker, Reeves, and Beatty, pp. 74–75;

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[98] Hartford and Empire acquired the Steimer application (F. 37, R. 7285, Ex. 5926, R. 11000).

[99] Hartford acquired the Hitchcock (F. 38, R. 7285) and the Howard patents (F. 86, R. 7294, Ex. H–5923, R. 10998).

[100] Hartford and Owens acquired patents from: Tucker, Reeves, and Beatty (F. 142, R. 7307, Ex. H–5925, R. 10999), W. J. Miller (F. 149, R. 7309, Ex. H–5924, R. 10999), and Headley & Thompson or Whitall Tatum (F. 297, R. 7342, Ex. 973, R. 8014), Sears and Lobb (see Govt. main br. p. 427), and Rankin (F. 175, R. 7314, Ex. H–5927, R. 11,001).

[101] Hartford acquired patents or exclusive rights from O'Neill (F. 183, R. 7316, Ex. H–5928, R. 11001), Lynch (F. 332, R. 7348, Ex. 330A, R. 9082), Fairmount Glass Works (F. 262, R. 7334, Ex. 973, R. 8015), Brockway (F. 264, R. 7334, Ex. H–5930, R. 11002), Tygart Valley (F. 266, R. 7335, Ex. H–5929, R. 11002), Kucera (F. 268, R. 7335, Ex. 973, R. 8015), Bethel (F. 278, R. 7338, Ex. H–5912, R. 10901), Nagle (F. 363, R. 7354, Ex. 973, R. 7994, 8003, Ex. 973A, R. 8034), Illinois Pacific Coast Co. (F. 415, R. 7363, Ex. 973, R. 8015), and Nivison-Weiskopf (F. 173, R. 7314, Ex. H–5884, R. 10901). (See Govt. main br. p. 428).

[102] Owens acquired suction patents from O'Neill (F. 310, R. 7344; Ex. O–6097, R. 11029) and suction inventions from Lynch (F. 330, R. 7347).

Kucera, Rankin, p. 96; Bethel, p. 97 n. 45; Headley & Thompson, pp. 117–120; O'Neill, pp. 120–125; and Lynch, pp. 125–131). As a result, Hartford has a total of 185 unexpired gob feeding patents acquired from others and in addition 116 unexpired miscellaneous patents some of which may have been acquired from others. Of the 220 Hartford patents listed on patent plates attached to Hartford machines in the hands of licensees (See Ex. 1990, R. 9894A), 73 were acquired patents (cf. Ex. H–6106, R. 11100 with Ex. 973, R. 7986). Of the 108 Hartford patents unexpired as of August 20, 1940, and applicable to the present Hartford machines (Ex. H–6103, R. 11047), 25 are acquired patents. Of 49 Hartford patents on which suit was brought, 24 were acquired patents (F. 488, R. 7374). Hartford brought suit on 4.6% of the patents owned by it and covering inventions of its own inventors, and on 7.6% of its acquired patents (U. F. 489, R. 7375).

The patents in the pool, including those acquired from outsiders, were used to control the glassware machinery and glassware industries by creating monopolies in glassware machinery and in the fields of glassware. The provisions of Paragraph 51 are intended to prevent the preservation or recurrence of these monopolies. Unless the appellants are enjoined from acquiring patents from others relating to the gob and suction processes they may again control through a patent pool

the distribution of glassware machinery and glassware.

Appellants object (br. p. 181) that Thatcher never acquired any patents from others for any purpose and that therefore Paragraph 51 is improper as applied to it. But Thatcher did receive from Hartford exclusive rights in the Hartford paddle needle feeder and milk bottle machines, and thereby obtained a preferential position in the milk bottle field (F. 400, R. 7361; F. 412, R. 7363).

Appellants claim (br. p. 181) that none of the individual defendants ever acquired any patent from others. But the individual defendants were the actors who carried out the conspiracy. Some of them performed acts through which Hartford and Owens acquired patents, and some of them performed acts through which the corporate defendants, other than Hartford and Owens, received exclusive licenses, or other preferential treatment under the pooled patents integrated under control of Hartford. As all the individual defendants participated in the conspiracy, either by performing the acts through which the aggregation of patents in the pool was integrated under control of Hartford or by performing the acts through which the other corporate defendants received preferential treatment under the pooled patents, the individual appellants may appropriately be enjoined, even though no one of them, as

an individual, ever acquired a patent from others. See pp. 11–15, 37–40, *supra*.

Appellants' brief (br. p. 183) asserts that Ball never granted any license to Hartford and that there is no evidence that any Ball patent contributed to the restraint. Ball Bros., however, did give Hartford what was in effect an option on Ball Bros. patents, if Ball Bros. were ever to sell the patents (Ex. 385, R. 7358). Besides, Ball Bros. received preferential treatment under the pooled patents. It received a residual license on fruit jars, in the nature of an exclusive license, thus enabling it to exclude all other manufacturers, except Hazel-Atlas and Owens, from using Hartford machinery to manufacture fruit jars (F. 385, R. 7358, R. 388, R. 7359). On at least one occasion, Ball offered Hartford the use of its patents to institute litigation (Ex. 220, R. 12744).

Hartford and Owens assert (br., p. 183) that they broke up the pool in 1935. But the appellants still control the many patents referred to at pages 198–201, *supra*.

The contention (br., p. 184–5) that independent inventors will lose their only available market for their inventions, if paragraph 51 stands, is inconsistent with the contention (br., p. 186) that under this paragraph nondefendant corporations in the industry will obtain an advantage over the defendant corporations in bidding for inventions

made by independent inventors. Both contentions cannot be right, and it may be suspected that neither one is.

Appellants urge that paragraph 51 should be modified so as to enjoin acquisitions only when made "pursuant to an unlawful antitrust conspiracy" (Br. pp. 187–188). We have shown elsewhere that the injunction may properly extend to the acts by which the conspirators attained their ends (see pp. 7–15, *supra*).

PARAGRAPH 52—INJUNCTION AGAINST "BLOCKING OFF" AND "FENCING IN"

Paragraph 52 of the judgment (R. 7687) enjoins certain of the appellants from filing or prosecuting patent applications "for the purpose" of blocking off, fencing in, or hindering the development by others of inventions capable of obtaining similar or alternative results to those obtainable by the patented inventions of the applicant, provided that the applicant also intends never to make commercial use of the inventions. It is further provided that failure to make commercial use of the inventions within four years shall be deemed *prima facie* proof of the presence of the intention never to make use thereof.[108]

[108] To clarify the meaning of these provisions as expressed in the text, we suggested certain changes in phraseology in our brief last term (p. 328). For the precise language, see Appendix I, *infra*, pp. 246–7.

The practices thus enjoined are the techniques employed by certain of the appellants in furtherance of their conspiracy to eliminate independent glassware machinery manufacturers from the glassware industry. This paragraph is supported by F. 194–5, R. 7319–20; F. 177, R. 7315.

Paragraph 52 is designed to strip the appellants of the power to revive the practices of "fencing in" and "blocking off." These practices gave to the patent pool the power to harass independent glassware machinery manufacturers both by obstructing their efforts to bring their machines to a state of commercial perfection and by excluding them from possible lines of development in developing new types of glassmaking machinery.

The practice of "blocking off" was carried out to preempt possible lines of development and to preclude competitors from following those lines of development, even though the "blocking" patents were not to be used to exploit the line of development thus preempted. Hartford obtained the following patents in order to "block off" inventions of others: "force feeding" patents (Ex. H–5933, R. 11003), "downward suction" (Ex. H–5931, R. 11003), "electric feed" (Ex. H–5932, R. 11003) and "stream feeding" (Cf. Ex. 1888, R. 9894 with Ex. H–6099, R. 11029).

The practice of "fencing in" was carried out to cover improvements on competitors' machines, and thereby impair the commercial success of the com-

peting machines. Though Hartford never placed a suction machine on the market it owned eighty suction patents (Ex. H–5356, R. 10539). The thirteen O'Neill suction patents acquired by Owens in cooperation with Hartford (F. 310, R. 7344, Ex. O–6097, R. 11029) are illustrative of the use of the "fencing in" practice (see Govt.'s main brief, pp. 92–93). A striking example of Hartford's "fencing in" policy is shown by the patents listed on the patent plates applied to the pneumatic feeders (Ex. H–6105, R. 11081). Hartford itself never manufactured a pneumtaic feeder, but it brought under lease-license those which had been manufactured by its vanquished rivals. The patent plate applied by Hartford to this feeder indicates that Hartford owned 37 patents and held a license under 3 others relating to the pneumatic feeder (*ibid*).

Owens' patents relating to feeders and formers, obtained after the 1924 agreement and not used by Hartford (cf. Exs. 1597, R. 8219 and O–5953, R. 12033 with Ex. H–6104, R. 11064) are, in large part, patents obtained by Owens for the purpose of "fencing in" the feeders and formers of outsiders.

Of the 727 unexpired Hartford patents (Ex. H–6103, R. 11047; Exs. H–5919–20, R. 10997) as of August 20, 1940, only 108 covered the present Hartford machines; of the remaining 619 patents, 503 related to feeding, forming, and annealing glassware but were not applied to the

present Hartford machines, and 116 patents were unrelated to manufacturing glassware.

Since the inception of its licensing system, Hartford has applied to its patent plates only 220 out of a total of 881 patents owned during that period (Ex. H–6106, R. 11100), or about 25% of the total; 75% of the patents owned by Hartford have therefore never been used. As of August 20, 1940, Hartford had a total of 611 unexpired patents in the pool. Only 108 of these unexpired patents, or about 18% of the total number of Hartford's unexpired patents in the pool, were applied by Hartford to patent plates attached to its machines, while 503 of these unexpired patents, or about 82%, were not being used by Hartford (Ex. H–6103, R. 11047). Thus, in 1940, Hartford was using only 18% of its unexpired patents in the pool.

This large volume of unused patents justifies the inference that a large number of the patents integrated in the pool under the control of Hartford were taken out for the purpose of "blocking off" and "fencing in." The trial court's finding (F. 194–5, R. 7319–20) that the appellants had engaged deliberately in a policy of "blocking off" and "fencing in" other patents is not dependent, however, merely upon inference from the above facts. In 1930, H. K. Smith of Hartford stated frankly (Ex. 388, R. 12968–9) that in taking out patents Hartford followed the

practice of "blocking off" and "fencing in" (See Government's main brief, p. 91). Peiler also testified that Hartford engaged in these practices (R. 4793, 4799). Owens' participation in this policy is manifested by the letter from Carter of Owens to F. G. Smith of Hartford, in which it was stated (Ex. 109, R. 12592):

> Of course Mr. Boshart realizes that the constructive policy would be to add to your line every patent which by any reasonable possibility might be expected to have a value (offensive or defensive) commensurate with its cost, and of which the lawyers would O. K. the purchase.[104]

These "blocking" and "fencing" patents, or "defensive" and "offensive" patents contributed nothing to the progress of science and the useful arts. They were not used primarily to protect the inventions of individual inventors, but were used as though they were appurtenant in gross to the businesses of the corporate defendants. They were used to discourage the invention and development of competitive glassmaking machinery by manufacturers.

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[104] Appellants' statement that "the sole support in the record for the contention that any defendant ever engaged in a policy of 'blocking' or 'fencing' is a portion of a single memorandum" (br., p. 180) is shown to be inaccurate by the facts recited in the above paragraph, as well as by other exhibits (Ex. 1880, R. 14431; Ex. 630, R. 13286). The facts to the contrary are summarized at greater length at pp. 91–94 of the Government's main brief.

Paragraph 52 is designed to end the practices by which Hartford and Owens acquired "blocking" and "fencing" patents. Appellants contend (br. p. 181) that there is no finding of fact that any defendant, other than Hartford, ever filed a single "blocking" or "fencing" application. First of all, Owens did so, as the record shows (Ex. 630, R. 13286; Ex. 1880, R. 14431). Besides, appellants other than Hartford may be enjoined from performing acts similar to those performed by Hartford in pursuance of the conspiracy.

Appellants claim (br. p. 181) that there is no finding that Hartford has filed any such application during the past fifteen years. This policy of "blocking" and "fencing" was part of the regular patent policy of Hartford, at least since 1924, and was a part of the regular patent policy of Owens, at least between 1924 and October 1935. If Owens did not continue its "blocking" and "fencing" policy after October 1935, a fact which is not granted, it was only because it was no longer necessary for it to do so. Prior to that time, the joint campaign of Hartford and Owens had been successful in eliminating the independent machinery manufacturers, in bringing substantially all the glassware manufacturers in the United States under Hartford licenses, in giving Hartford title, with few exceptions, to the machinery used by the Hartford licensees, and in

discouraging the patenting of inventions relating to glassware machinery by others than Hartford. Even if Owens may not have filed "blocking" and "fencing" applications after October 1935, it continued to participate in the conspiracy (F. 433, R. 7367), and it is properly enjoined from performing acts similar to those carried out by Hartford.

Appellants assert (br. p. 184) that paragraph 52 prevents any corporate appellant from obtaining patents on inventions of its own employees, contrary to the provisions of paragraph 51. They contend that paragraph 52 has this effect because it either requires them to delay filing applications on these inventions (br. p. 195) or requires them to keep such inventions secret (br. p. 197). The prohibition of paragraph 52 does not, of course, apply to patents intended to be used, or actually used within four years. It may be that because of paragraph 52 a corporate appellant will have to determine what inventions of its employees it intends to use, and that this determination may be difficult in some instances. If the invention is important, it should be relatively easy to make the determination within a short time after the patent issues, and a limit of four years after the issuance of a patent on even a trifling invention would not seem to impose an unreasonable hardship on the corporate defendants.

In any event, the limit of 4 years is not absolute; the appellants always have the opportunity of proving to the court that they intended to use the invention when they filed the application and that their failure to do so was a result of normal difficulties in its commercial exploitation. The facts in this respect will lie peculiarly within the knowledge of appellants. The only alternative to this provision of the judgment is to leave Hartford and Owens free to revive their practice of filing "blocking" and "fencing" applications, and thereby build up an aggregation of unused patents.

Appellants suggest (br. pp. 194–5) that it may be difficult in particular instances to appraise the value of inventions. But appellants acknowledge the possibility of appraising the value of inventions generally by their complaint (br. p. 186) that paragraph 51 discriminates against the corporate defendants in their dealings with independent inventors, and their complaint (br. p. 185) that paragraph 51, by preventing appellants from acquiring the inventions of independent inventors, destroys the only available market for such inventions. The latter argument assumes that the independent inventor has not developed his invention to a point where its commercial possibilities are obvious.

The *Paper Bag* case (*Continental Paper Bag Co.* v. *Eastern Paper Bag Co.*), 210 U. S. 405, relied

upon by appellants (br. p. 191, *et seq.*) does not require modification or deletion of paragraph 52. In that case, the Court held that on the facts as proved, the nonuse of a single patent to protect an old machine from competition was not unreasonable and did not prevent a court of equity from enforcing the patent so used. The Court expressly stated (p. 430) that it did not decide whether "a case cannot arise where, regarding the situation of the parties in view of the public interest, a court of equity might be justified in withholding relief by injunction * * *." The facts in this case present the very situation to which the Court in the *Paper Bag* case, by the above quoted *caveat,* indicated that its decision did not extend. The facts of the present case show, not the acquisition of a single unused patent to protect a single machine, but the aggregation of a pool of numerous patents, comprising chiefly unused patents, and the resultant exercise of the privilege of nonuse on a scale which plainly affects the interest of the public.

Recently the *Paper Bag* case was held to have no application where the purpose of the patentee clearly was to suppress the manufacture of a product covered by the patent or to extend, protect, or strengthen the monopoly of another patent (*Special Equipment Company* v. *Coe,* App. D. C., decided June 19, 1944, certiorari pending No. 469). In that case, Mr. Justice Miller, in a concurring

opinion in which the other members of the court joined, stated:

> The logical result, therefore, of the later Supreme Court cases [*Ethyl* and *Univis*] is to forbid the granting of a patent where the purpose of the applicant is clearly revealed to suppress manufacture or use in order to extend the monopoly of another patent or in order to achieve any other objective violative of the law and of the public policy. Whether this result requires, in the Patent Office, procedure to compel an affirmative showing of purpose by each applicant, it is not necessary to determine in the present case. Here, the chronology of the case in the Patent Office suggests, and the admission of appellant confirms, a purpose contrary to the purpose of the Constitution and statute, with respect to the disputed subcombination claims.

Where over a period of time a patentee persistently acquires patents covering inventions which he does not intend to use or practice, and employs the exclusory power of those patents for the purpose of "fencing in" and "blocking off" his competitors, he is misusing those patents to a far more serious extent than a patentee who misuses a single patent to acquire a limited monopoly in unpatented material. Where a patentee conspires with others, as Hartford did, to form a patent pool, comprising chiefly unused patents, and utilizes the aggregation of unused

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patents to "block off" and "fence in" competitors, there must be a point where such persistent disregard for the purpose underlying the patent laws brings him within the doctrine of the *Morton Salt* and *Mercoid* cases. It is submitted that this point has not only been reached by the corporate appellants here, but transcended.

The contentions of the appellants are based upon the following propositions: (1) That a patentee has an unconditional right to exclude; (2) That a patentee has an unconditional privilege of nonuse; (3) That the patentee's right to exclude and his privilege of nonuse are independent; and (4) That a patentee can unconditionally exercise his right to exclude and his privilege of nonuse without regard to the extent to which the public may be injured or the purpose of the patent law thwarted by the combined exercise of both of those rights.

We submit that neither the patentee's right to exclude nor his privilege of nonuse are unconditional, and that the patentee's right to exclude and his privilege of nonuse are ordinarily but not necessarily independent. Where a patentee has persistently exercised both the right and the privilege under numerous patents over a period of time and as a result has brought about the injury to the public, shown to have occurred in this case, the patentee may be restrained from thereafter exercising both his right to exclude

and his privilege of nonuse in order to prevent the possibility of further injury to the public.

Appellants object that because paragraph 52 enjoins the prosecution of applications for patents "for the purpose" of "blocking" and "fencing," it adds a "mental" requirement to the patent law (br. pp. 193, *et seq.*). But what made the obtaining of patents by the appellants unlawful in this connection was appellants' purpose. Since this is so, it is obviously not improper to make purpose the test of the conduct to be enjoined. This is what the *Special Equipment Company* case, *supra,* held. The law, of course, is full of instances where one's state of mind determines the legality of one's conduct.

Appellants object to the application of this paragraph beyond Hartford and Owens, who are the corporate defendants who indulged in the practice of "blocking off" and "fencing in." That coconspirators are liable for the conduct of other members of the conspiracy has been shown at pp. 7–15, *supra.*

PARAGRAPHS 53 AND 54—INJUNCTIONS AGAINST CONCERTED ACTION IN PATENT OFFICE

Paragraph 53 enjoins the defendants "from combining, conspiring, or agreeing with any other person," with respect to patents covering inventions in glassware or glass-making machinery, to obtain dominating patents covering glassware

and machinery inventions from the Patent Office, to conceal pertinent facts from the Patent Office, to transfer conflicting claims between patent applications without a *bona fide* arbitration as to priority, to disclose regularly to one another patent applications or other information about unpatented inventions, to secure information concerning interferences involving others, or to delay the issuance of patents for the purpose of avoiding the adverse effect of such patents on previously issued patents.

This paragraph is supported by the following findings of fact: F. 104–109, 112, 130–1, 136–7, 151–162, 164, 186–192, 232-241, 281, 282, 287, 288, 300, 327, 360, 482–4, 486; R. 7297–8, 7300, 7305–6, 7309–12, 7317–19, 7328–30, 7338–9, 7342, 7347, 7353, 7374.

In paragraph 54 (R. 7689–90) appellants are enjoined from combining, conspiring, or agreeing to harass or delay other applicants in the Patent Office by simultaneously prosecuting in any interference a plurality of applications controlled by parties having a common interest therein, by delaying the recordation in the Patent Office of assignments of patents, by filing "trap" applications, or by conducting friendly interferences for the purpose of retaining the applications in the Patent Office as a means of provoking interferences with other applications.

This paragraph is supported by the following findings of fact: F. 90, 108, 109, 112, 129, 137, 138, 141, 150-2, 177, 181, 186, 187, 189, 190, 291–3; R. 7295, 7298, 7300, 7305–7, 7309, 7315–18, 7340–1.

The practices thus enjoined are the techniques employed by the appellants in furtherance of their conspiracy to eliminate prospective competitors in the Patent Office and to obtain, by fair means or foul, patents for use in controlling both the machinery and glassware industries. On pages 227–239 of our main brief we have shown that the conduct enjoined by these paragraphs is unlawful.

Before we take up the various clauses of these paragraphs it is to be noted that they apply only to combinations, conspiracies and agreements to do the prohibited acts. Consequently, although appellants complain that the paragraphs "rewrite Patent Office rules", there are no rules of the Patent Office which approve any of the acts prohibited. The fact that the Patent Office has not seen fit specifically to forbid such conduct, which is as inconsistent with the policy of the patent laws as of the antitrust laws, does not mean that the Patent Office approves it. In any event, even an inconsistent Patent Office rule could not protect conduct in violation of the antitrust laws; here there is no such rule.

These observations apply to paragraphs 53 and 54 as a whole. We shall now take up the clauses of those paragraphs in turn.

Subparagraph 53 (a)

In subparagraph 53 (a) the defendants are enjoined from "combining, conspiring or agreeing"

> (a) to obtain from the Patent Office dominating patents for one or more of the persons, firms or corporations so combining, conspiring or agreeing and for the purpose of giving such defendant or the combination, patent control of glass-making machinery or of glassware;

This subparagraph is aimed at preventing a recurrence of concerted action between Hartford and Owens by which they combined to obtain patent control over the gob feeding art for their joint benefit (F. 109, R. 7298). The subparagraph thus enjoins the conduct which was at the heart of the conspiracy in this case.

Appellants do not—at least in terms—contend that equity cannot enjoin a repetition of the conduct found to be unlawful, but argue that this subparagraph might reach innocent agreements as well, inasmuch as, they claim, the purpose of patent research and development may properly be to dominate an industry; cooperative research and settlement of disputes are said to be foreclosed by subparagraph (a) (br. pp. 201–2).

We think it apparent that if any such situations should arise, the facts would show that they do not come within the language of this clause. No narrower phraseology would be adequate to describe the conduct which the clause is properly designed to reach. In these circumstances defendants are not entitled to have the clause modified. If in the future any one of them is presented with a situation as to which they have doubts as to the applicability of this clause, they may apply to the District Court for a protective interpretation.

Subparagraphs 53 (b) and (c)

These subparagraphs enjoin the defendants from "combining, conspiring or agreeing"—

> (b) to refrain from disclosing to the Patent Office facts within their knowledge which, if disclosed, would tend to prevent the issuance of dominating patents to one of said persons, firms or corporations, so combining, conspiring or agreeing;
>
> (c) to make any representation to the Patent Office designed to further the issuance of patents to any of the persons, firms or corporations so combining, conspiring or agreeing without fully disclosing to the Patent Office any community of interest existing among said persons, firms or corporations;

Subparagraphs 53 (b) and (c) are designed to supplement subparagraph 53 (a) by preventing a

repetition of the conduct by means of which Hartford and Owens procured the dominating Peiler "stuffing" patent 1,655,391 for Hartford. For example, subparagraph 53 (b) would prevent a repetition of such transactions as the suppression of the facts relating to the 1924 Hitchcock demonstration (F. 107–9, R. 7298–9, F. 162, R. 7312; Gov't. Main Br. p. 80, fn. 23). Subparagraph 53 (c) would prevent a repetition of conduct such as that of S. S. Cochrane, Vice President and General Factories Manager of Owens, who filed an affidavit designed to secure the allowance of the Peiler "stuffing" patent 1,655,391, without revealing the community of interest between Hartford and Owens (F. 159, R. 7311, F. 164, R. 7312; see Govt. main br. p. 81, fn. 24).

The only objection made to these subparagraphs (Br. 202) is that they would impose upon appellants regulations which are not of general application to all applicants for patents under the Rules of Practice of the Patent Office. But these appellants, and particularly Hartford and Owens, have shown a past proclivity to engage in such conduct. Since they have done so in the past, in violation of the Sherman Act, they are subject to an injunction although others may not be. In the absence of provisions in the judgment restraining them in the future from these activities, there is nothing to prevent them from repeating the practices.

Subparagraph 33 (d)

This subparagraph enjoins the defendants from "combining, conspiring, or agreeing"—

> (d) to transfer conflicting claims from one patent application to another in accordance with a decision arrived at after negotiation rather than in accordance with a decision by the Patent Office or by the Courts in an interference proceeding or in accordance with a decision arrived at in genuine arbitration proceedings after the declaration of an interference, and without fully disclosing to the Patent Office the facts justifying or warranting such transfer of claims based upon an award in an arbitration proceeding; * * *

The practice of transferring claims from one application to another, by negotiation between Hartford and Owens, was the device which these companies employed to secure dominating patents for Hartford and to subordinate the patents issued on the acquired applications, such as those of Howard, Miller, Tucker and Reeves, and others, to the patents of Hartford. (See Govt. main br. pp. 65–66, 84–87.) If Hartford and Owens had not been able to transfer claims from one application to another by means of negotiation carried out at the numerous conferences (Govt. main br. pp. 84–87, 425–6), they would have been in no position to use the claims of the Hartford and Owens applications and the claims

of the acquired applications for the purpose of obtaining the strongest possible patents for the pool.

The practice of transferring claims by negotiation enabled Hartford and Owens to conceal from the Patent Office and hence from the interested members of the public the fact that the claims in the various applications in the pool had been marshalled for the purpose of strengthening the pool (Govt. main br. pp. 86–87). It also enabled Hartford and Owens to inform the Patent Office that the pending interferences were being "arbitrated", whereby delays were effected in the issuance of patents owned by Hartford and Owens (Govt. main br. pp. 88–89). The facts concerning the ostensible arbitration between Hartford and Owens and between Hartford and Miller (Govt. main br. pp. 72–74) were effectively concealed from the Patent Office and the interested members of the public.

Subparagraph 53 (d) is designed to prevent a repetition of the practices outlined above by means of which Hartford and Owens bypassed the Patent Office and, without the knowledge of that office or of the public, used the claims of the various applications in the pool for the purpose of issuing the strongest possible patents for the pool.

Appellants object (br., p. 202) that subparagraph 53 (d) overrules the decisions of the federal courts to the effect that settlements by negotiation

are not only lawful but are in the public interest.

While settlement by negotiation may generally be lawful and in the public interest, the appellants here have shown that they cannot be trusted to settle patent matters by negotiations, without subjecting them to the scrutiny of the Patent Office. Since they have abused the right to negotiate patent settlements in the past, the injunction is justified. Equity may enjoin conduct otherwise lawful when necessary to stamp out an illegal conspiracy (see p. 14, *supra*). Of course our position does not mean that all settlement agreements violate the antitrust laws; nor is it inconsistent with the Patent Office rules permitting compromises. It is only because appellants had abused these rights, granted to them by the Patent Office rules, in violation of the antitrust laws, that this prohibition may be applied to them.

Subparagraph 53 (e)

This subparagraph enjoins defendants from "combining, conspiring, or agreeing"—

> (e) to disclose regularly or periodically their patent applications, or information about the unpatented inventions they own or control, to any person, firm or corporation prior to the declaration of an interference with such other person or corporation, except in connection with the granting of a license to said other person, firm or corporation under said unpatented inventions or in furtherance of such a license,

and that this shall not prevent the exchange of scientific information in the regular course of business;

This subparagraph is designed to prevent the repetition of such arrangements as that between Hartford and Owens, under the 1924 contract, by which they undertook to disclose their inventions semiannually to one another (F. 191, R. 7318; see also Govt. main brief, pp. 65–6).

The danger of the exchange of information about unpatented inventions is amply demonstrated by the record in this case. It created a pool of invention available to Hartford and Owens for use against outsiders (F. 360, R. 7353). Such interchange of information was utilized by Hartford and Owens to "fence in" the O'Neill suction machine (Govt. main brief, pp. 92–3). It led to a situation such as that outlined in the Government's main brief (p. 90, fn. 40), where a Hartford patent attorney could rely upon information about an Owens' prior use to be sure that claims filed for purposes of delay could not be used against the interests of Hartford.

This subparagraph protects the rights of appellants by permitting the disclosure of such information in connection with the granting of a license, or in furtherance of a license, and by permitting the exchange of scientific information. Inasmuch as the paragraph excepts the disclosure of information "in connection with the granting

of a license," it obviously applies to persons who are contemplating taking licenses whether or not they have done so, although appellants, for purposes of argument, construe the language differently (br. p. 203). Appellants also object that this subparagraph applies to regular or periodical disclosures but not to occasional ones. The provision is so worded in order to prevent exactly what appellants did. Merely occasional disclosures would not have accomplished appellants' unlawful aims. In addition it should be noted that all of appellants' objections to this subparagraph (pp. 203–204) disregard its limitation to combinations, conspiracies, or agreements.

Subparagraph 53 (f)

This subparagraph enjoins the defendants from "combining, conspiring, or agreeing"—

> (f) to secure information concerning pending interferences to which the person, firm or corporation securing the information is not a party; and to secure information concerning the unpatented inventions of others, except when the person, firm or corporation securing the information is entitled to obtain such information by the Rules of Practice of the United States Patent Office or by the terms of a license under such inventions;

This subparagraph is designed to prevent the practice by which Hartford and Owens kept one another informed about the progress of interfer-

ences in which one only of them was involved. In many instances, the company not a party to the interference was able to make claims corresponding to the interference counts, and thereby succeeded in having its application added to the interference. This device was used by Hartford and Owens, acting in concert in the Patent Office, to harass their competitors by costly and prolonged interferences. Even though the procurement of information about pending interferences may be legal, and even though this information may be used for proper purposes in some instances, Hartford and Owens have demonstrated a past proclivity to utilize this information for improper purposes, and may therefore be properly restrained from conspiring to follow this practice in the future. The numerous hypothetical situations which appellants have invoked as showing the broad reach of this paragraph to unquestionably lawful conduct (br. pp. 204–5) again ignore the over-all limitation which restricts the injunction to combination, conspiracy, or agreement. The mere seeking or obtaining of particular information would not come within the clause.

Subparagraph 53 (g)

This subparagraph enjoins the defendants from "combining, conspiring, or agreeing"—

> (g) to delay the issuance of any patent for the purpose of avoiding the adverse effect of such patents on the previously issued

> patents of any of the persons, firms, or corporations so combining, conspiring, or agreeing;

In this case appellants so manipulated the proceedings in the Patent Office as to delay the issuance of some patents for strategic purposes. The subparagraph does not, as appellants' argument implies (br. pp. 205–6), prohibit all postponements and extensions of time, but only delays "for the purpose of avoiding the adverse effect" on previously issued patents of the patent whose issuance is being held up. No Patent Office rule purports to permit delays for this purpose. Furthermore, as with the other subparagraphs, only concerted action to delay for this purpose is enjoined. It is the latter which violates the antitrust laws.

It is clear in any event that Hartford and Owens showed no tenderness for the rules of the Patent Office. They did not hesitate fraudulently to deceive the Patent Office (*supra*, pp. 108–12), and there is no reason to believe that they would hesitate to disobey its rules again. Their strong reliance upon the adequacy of these rules to prevent the very conduct in which they engaged is anomalous, to say the least.

Paragraph 54

Paragraph 54 enjoins the defendants "from combining, conspiring, or agreeing * * * *to*

obstruct, hinder, harass, or delay any other applicant in the Patent Office by—

(a) simultaneously prosecuting in any interference in the Patent Office a plurality of applications owned or controlled by parties having a common interest therein;

(b) delaying the recordation in the Patent Office of the assignment to any of the persons so combiniug, conspiring or agreeing of acquired applications in order to retain record title to such applications in diverse hands to permit the prosecution of a plurality of such applications in a single interference;

(c) filing any "trap" application for the purpose of provoking an interference between the party filing the application and some other applicant in the Patent Office; and

(d) conducting or prolonging friendly interferences not for the purpose of genuinely litigating the issues therein involved but only for the purpose of retaining in the Patent Office the applications in interference as a means of provoking interference with other applications. [Italics supplied.]

This paragraph was designed to prevent the harassing tactics of the defendants which are described at pages 67–72 of the Government's main brief. Inasmuch as the paragraph enjoins what

the defendants have unlawfully done, it is entirely appropriate.[105]

Appellants' attack upon this paragraph, as on many others, is based upon hypothetical cases which ignore its language. For none of the cases described in appellants' brief (pp. 206–210) would come within the prohibition against joint action "to obstruct, hinder, harass, or delay."

Furthermore the Patent Office rules upon which appellants rely do not protect conduct directed towards these unlawful ends. Appellants refer in particular to Patent Office Rule 94. As we have shown in our main brief (pp. 68–71), appellants were assiduous to avoid complying with this very rule and the purpose of the injunction is to prevent their doing the same thing again.

Appellants' brief suggests that the only "trap" applications utilized by Hartford and Owens were those referred to in certain 1924 letters (Br. p. 209). This, however, disregards the instances referred to in our main brief (pp. 92–93; Ex. 1880, R. 14431).

Defendants argue that the expression "trap application" was taken from one of Hartford's

[105] Appellants contend (Br., p. 207) that Subparagraph 54 (a) applies even to the typical agreement in patent interferences whereby the parties agree that the "winner will grant a license to the loser, subject to the payment of predetermined royalties." For an example of collusion in such a settlement of an interference, see F. 193, R. 7319.

attorney's letters, and that in fact the attorney never filed any such trap applications. The attorney referred to is the appellant Brown, vice president of Hartford and its resident patent counsel (U. F. 530, R. 7382). It is not true that the defendants never filed any such applications. Although the particular application referred to in Brown's letter was not used, the record shows that trap applications were among the weapons in Hartford's and Owens' arsenal.[106] The use of the Steimer application is illustrative. Although it was filed originally in 1910, it was acquired jointly by Hartford and Empire Machine in 1913. After Hartford and Owens had made use of this application in various ways to defeat their adversaries,[107] patents on it were finally issued in March 1937, 27 years after the application was filed.

[106] A "trap" application is the same as a "dragnet" application. A "trap" or "dragnet" application is defined by Vaughan, *The Relation of Patents to Industrial Monopolies* (1932), 14 Journal Pat. Off. Soc. 95, 102:

"Many of the interferences are due to 'dragnet' applications which serve the purpose of 'scooping' up subsequent inventions. A corporation may purposely delay the granting of a patent so as to entangle a rival inventor in expensive interference proceedings with hope and expectation of forcing him either to abandon his invention or to sell it at a nominal price. In 1912, a Commissioner of Patents stated that various concerns had thousands of dragnet applications and they do not take out patents unless some rival concern files an application."

[107] Ex. 973, Int. 39377, Int. 52765, R. 8027; Int. 45287, R. 8028; Int. 49822, R. 8029; Int. 51313, R. 8030; Int. 51876, R. 8031.

Appellants' objections to the injunctions against certain patent practices all tend towards the same point. Appellants suggest that as they were not prevented by the Patent Office rules from engaging in such practices, others will be free to engage in similar practices. Appellants further suggest that if they are disabled from engaging in practices that are open to others, appellants will be discriminated against in favor of those others with respect to the right to obtain future patents. But this suggestion rests upon the supposition that others will violate the law as appellants have violated it in the past. Relief against a repetition of appellants' illegal acts should not be denied upon the basis of such a supposition. If and when others engage in the practices used by appellants to achieve an illegal end such as that effected by appellants, it will then be time for the Government to proceed against them. In the meantime, appellants should not be permitted to avoid an injunction against a repetition of their illegal acts on the basis of a mere supposition that others will engage in similar acts.

PARAGRAPH 55—RIGHT OF DEPARTMENT TO OBTAIN INFORMATION

Paragraph 55 of the judgment provides that representatives of the Department of Justice shall have access to the records of the defendant corporations and shall be permitted to inter-

view officers and directors, and that the defendant corporations on request shall submit reports.

This Paragraph is substantially identical with Paragraph 9 of the judgment in *United States* v. *Bausch & Lomb Co.*, 321 U. S. 707, considered by this Court at the last term. In that case the Court sustained the first two clauses of this Paragraph. There is obviously much more need for facilitating investigation in order to protect "the public against a continuance of the illegal combination and conspiracy" (321 U. S. at 726) in a case of this magnitude than in the *Bausch & Lomb* case. Unquestionably the first two clauses are valid.

The Court struck down the third clause in the *Bausch & Lomb* case on the ground that it was "too indefinite for judicial enforcement" (321 U. S. at 728). That clause provided that the defendants

> shall submit such reports with respect to any of the matters contained in this Judgment as from time to time may be necessary for the purpose of enforcement of this Judgment.

The third clause in Paragraph 55 is indistinguishable and is subject to the same ruling.

The Court did not suggest, however, in the *Bausch & Lomb* case that any provision for the filing of reports would be improper if sufficiently definite.

The enforcement of the decree in this case will be greatly aided if each of the corporate defendants is required to file reports concerning specific matters, such as sales of machines to licensees required by paragraphs 22 and 23 of the judgment (R. 7666–7); licenses granted pursuant to paragraph 24 (a) and (b) (R. 7667–8); copies of drawings and patterns furnished to applicants pursuant to paragraph 24 (c) (R. 7668); amendment of the bylaws and certificate of incorporation of the Association required by paragraphs 37 (R. 7678) and 39 (R. 7679) and the certificate of incorporation of Hartford by paragraph 50 (R. 7686); sale of the Three Rivers plant by Ball (paragraph 43, R. 7683) and Ed Miller assets by Lynch (paragraph 49, R. 7685); patents and patent applications owned or controlled by each of the corporate defendants (see Judgment pars. 51–2, R. 7686–7); securities of corporations in the glassware industry owned or controlled by each of the defendants (see Judgment, par. 33, R. 7674, and par. 36, R. 7677–8).

A decree which would require these reports to be submitted would not run counter to the objection made in the *Bausch & Lomb* case, but would on the contrary be supported by the considerations referred to in that opinion in upholding other portions of the Paragraph. We therefore suggest that the Paragraph be modified to specify the

reports defendants should be required to make. The precise change suggested is set forth at pages 247–9, *infra*. Inasmuch as appellants have challenged Paragraph 55, and since this modification would make it less sweeping, in response to their argument, this Court has power to change the Paragraph in the manner suggested.

PARAGRAPH 56—NOTICES

Paragraph 56 provides for the manner in which notices shall be given. No objection is made to this Paragraph (Appellants' br. p. 214).

PARAGRAPH 57—RETENTION OF JURISDICTION

Paragraph 57 provides that the District Court shall retain jurisdiction of the cause so that either party may apply "for such further orders and directions as may be necessary or appropriate for the construction or carrying out of this judgment" or for its modification and enforcement; and that "the Attorney General may at any time, and from time to time, apply to the Court for a modification of this judgment if it should appear that the operation of the terms of this judgment is failing to bring about a situation in harmony with the federal antitrust laws."

Although appellants object to the last clause (br. pp. 214–15), the entire paragraph is reasonable and should be affirmed. The cases which appellants cite as to the finality of judgments do not

suggest that the judgment may not in itself provide for future contingencies, particularly when its subject is as intricate as is the case here.

PARAGRAPH 58—STAYS

This paragraph stays all of the judgment except the receivership and impounding provisions until sixty days after its date. A stay until final determination of the appeals was subsequently granted (R. 7745, 7777). It is not clear whether this does or does not give the defendants sixty days after the date of this Court's decision; we agree that the stay should extend that far.

Appellants now request that the stay should be extended until sixty days after the entry of the judgment below following receipt of the mandate of this Court (br. p. 216). This is a matter properly to be submitted to the District Court; the time necessary may depend upon the extent and nature, if any, of the modifications in the judgment made by this Court. There might be no reason why some provision of the judgment should not become effective within sixty days of this Court's decision, while a longer time might be necessary for other provisions.

PARAGRAPH 59—COSTS

Paragraph 59 provides that "The plaintiff shall recover jointly and severally from the defendants mentioned in paragraph 3 of this judgment all costs of this suit."

Appellants contend that the Government should not recover costs because (Br. pp. 216–217) the Department in bringing this suit sought to change the law and was not content with the antitrust laws as they stand. We think that this action and the relief granted under it are clearly based on accepted antitrust principles. If this Court finds that appellants violated the Sherman Act they should be required to pay the costs of the suit irrespective of the precise nature of the relief granted. For reasons already indicated appellants' abandonment of some of their practices after the suit was instituted would not have been sufficient to restore competition to the industries they have so long dominated or to neutralize the effect of their violation of the law. Thus it cannot be said that there was no reason to proceed to trial.

PARAGRAPH 60—DISMISSAL OF CERTAIN DEFENDANTS

This paragraph dismisses the complaint against certain of the defendants.

Appellants do not object to this Paragraph.

CONCLUSION

The ultimate consequences of appellants' arguments are disclosed on pp. 227–228 of their brief. There they suggest (1) that the prohibitory provisions of the judgment should categorically forbid only activities that are illegal *per se* and that

activities lawful *per se* should be prohibited only if they are repeated as a part of an illegal conspiracy, (2) so far as concerns dissolution of the patent combination or dissipation of its economic effects, the only remedy appropriate is to require Hartford to sell—for reasonable compensation—the patents which it is held to have illegally acquired from others. (No similar concession is made as to the patents illegally acquired by Owens and Lynch.)

The true significance of appellants' suggestion as to conduct that is lawful *per se* is exposed by the contentions they make elsewhere in their brief, either expressly or by implication, that they are entitled to continue to exclude persons from the industry by refusing licenses (pp. 86–102), to grant restrictive licenses which divide fields and thus prevent competition (pp. 118–127), and to make royalty-sharing and rebate contracts among themselves (pp. 131); that they should not be forbidden to acquire patents from others (pp. 181–187); and that they should be permitted to obtain patents on inventions which they never intend to develop commercially and to use those patents solely for the purpose of "blocking off" or "fencing in" the inventions of others (pp. 188–198). Appellants' assertion that they should be free to continue these practices so long as there is no evidence of conspiracy should be appraised in the light of the evidence that in the past they have in many instances

carried out their combination by gentlemen's agreements and tacit understandings rather than by formal agreements (see Govt. main br. pp. 58, 104–5, 113–14, 140, 151–4, 321–6). As a result of appellants' conspiracy the glassware industry now has an artificial structure. Appellants can easily maintain that structure in the future without the necessity of formally or openly acting in concert. Their proposed judgment leaves this power untouched.

By urging that the Court do nothing to the combination of patents except to order the sale of the patents Hartford illegally acquired from others, appellants are, in effect, asking the Court to ratify that part of their illegal plan which assumed that the Court would do nothing more than to require divestiture of patents illegally acquired from competitors and that this remedy would be ineffective to deprive appellants of the benefits of their conspiracy or to weaken their position of economic dominance (see pp. 78–82, *supra*).

We submit that a judgment limited as appellants suggest would defeat the purpose of the antitrust laws.

The judgment should be modified by this Court as suggested by the Government and as so modified it should be affirmed. Cf. *Continental Co.* v. *United States*, 259 U. S. 156; *Sugar Institute*

v. *United States*, 297 U. S. 553; and *United States* v. *Bausch & Lomb Optical Co.*, 321 U. S. 707.

Respectfully submitted.

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SEPTEMBER 1944.

APPENDIX I

PROPOSED REVISIONS OF PARAGRAPHS 5, 23, 26, 29, 52, and 55 (BR. PP. 36–7, 70, 147, 153–41; 204; 232–4).

This appendix contains proposed revisions of those paragraphs of the judgment which the Government concedes require modification. Except in the proposed revision of Paragraph 5, words which have been added to the judgment are in italics, and those eliminated are enclosed in brackets.

PARAGRAPH 5

The defendants Corning Glass Works, and the individual defendants associated therewith; Hartford-Empire Company and the individual defendants associated therewith; and Empire Machine Company, and the individual defendants associated therewith; and each of them, in violation of Sections 1 and 2 of the Sherman Antitrust Act, have monopolized the manufacture of heat-resistant ware; have attempted to monopolize, combined and conspired to monopolize and contracted, combined and conspired to restrain trade in signal, optical, oven, chemical- and heat-resistant ware, and in bulbs, tubing, and cane; and have contracted, combined, and conspired to restrain trade in the manufacture of laboratory, paste mold, and electrical ware.

PARAGRAPH 23

23. The defendant Hartford-Empire Company and the individual defendants associated therewith, Corning Glass Works and the individual defendants associated therewith, Empire Machine Company and the individual defendants associated therewith, Owens-Illinois Glass Company and the individual defendants associated therewith, Hazel-Atlas Glass Company and the individual defendants associated therewith, Thatcher Manufacturing Company and the individual defendants associated therewith, Lynch Corporation and the individual defendants associated therewith, Ball Brothers Company and the individual defendants associated therewith, and J. D. Dilworth, W. V. Fisher, T. C. Fulton, and G. F. Rieman, each be and hereby is enjoined from engaging in the distribution of machinery used in the manufacture of glassware or in the distribution of glassware in interstate commerce, unless *he or it* [they, and each of them] while engaging in or continuing to be engaged in the distribution of machinery used in the manufacture of glassware in interstate commerce, shall, by written instrument filed with the Clerk of this Court, agree to offer and continue to offer to sell such machinery to any applicant (including, but not limited to, those not heretofore engaged in the manufacture of glassware) at reasonable and equal prices and upon reasonable and equal terms and conditions of sale to each applicant, provided that said sales are not hereby required to be made to any applicant not having a proper credit rating unless said applicant offers to pay cash; provided,

however, that nothing in this paragraph 23 shall be construed to prevent changes in price structure based upon a change in economic or market conditions if notice of at least thirty (30) days of any such change in price structure is first given to the glassware industry; and provided further that any applicant to whom any of said defendants refuses to sell said machinery as heretofore provided in this paragraph may apply to this Court, on thirty (30) days' notice only to the defendant which shall have refused to make said sale and to the Attorney General of the United States of America, for an order requiring and directing said defendant to make such sale.

PARAGRAPH 26

26. The defendants, Hartford-Empire Company, and the individual defendants associated therewith; Corning Glass Works and the individual defendants associated therewith; Empire Machine Company and the individual defendants associated therewith; Owens-Illinois Glass Company and the individual defendants associated therewith; Hazel-Atlas Glass Company and the individual defendants associated therewith; Thatcher Manufacturing Company and the individual defendants associated therewith; Lynch Corporation and the individual defendants associated therewith; Ball Brothers Company and the individual defendants associated therewith; and the defendants J. D. Dilworth, W. V. Fisher, T. C. Fulton, and G. F. Rieman; and each of them be and they hereby are enjoined, until the entry of a finding by this Court, after petition filed by

such defendants on thirty days' notice to the Attorney General of the United States and a hearing thereon, that the consequences of the conduct of such defendants in violation of the Sherman Antitrust Act and the Clayton Act have been fully dissipated, from:

(a) bringing, maintaining, or taking any action in pursuance of any suit or suits for infringement of any patent or patents now owned or controlled by any such defendant, or hereafter issued on pending applications now owned or controlled by any such defendant, covering inventions embodied in machinery used in the manufacture of glassware;

(b) attempting to interfere by suit or otherwise with the possession of machinery used in the manufacture of glassware now owned or claimed to be owned by any such defendant and which machinery is in the possession of a licensee or lessee of such defendant, except in so far as may be necessary to enforce the terms of any contract of sale entered into pursuant to paragraph [21] *22* of this judgment *and provided that any such defendant may repossess the machinery in the event that a licensee or lessee fails or refuses to enter into a contract of sale;* and

(c) attempting by suit or otherwise to collect royalties or license fees or profits for the use of inventions covered by patents now issued or hereafter issued on applications now pending embodied in machinery used in the manufacture of glassware licensed or leased by any such defendant.

PARAGRAPH 29

29. The defendants, Hartford-Empire Company, and the individual defendants associated therewith; Corning Glass Works, and the individual defendants associated therewith; Empire Machine Company, and the individual defendants associated therewith; Owens-Illinois Glass Company, and the individual defendants associated therewith; Hazel-Atlas Glass Company, and the individual defendants associated therewith; Thatcher Manufacturing Company, and the individual defendants associated therewith; Lynch Corporation, and the individual defendants associated therewith; Ball Brothers Company, and the individual defendants associated therewith; and the defendants J. D. Dilworth, W. V. Fisher, T. C. Fulton, and G. F. Rieman; and each of them, be and hereby is enjoined from inserting or enforcing or requiring any other party to agree to any provision in any agreement heretofore or hereafter entered into by him or it which

(a) directly or indirectly limits or restricts (1) the type or kind of [product (whether glassware as defined in subparagraph 1 (C) of this judgment or any other product whatsoever)] *glassware* which can be produced with or upon *machinery, methods, or processes used in the manufacture of glassware* [machines or equipment or processes] embodying inventions licensed under patents or patent applications owned or controlled by him or it, (2) the use of such [product] *glassware* so produced, (3) the character, weight, color, capacity, or composition of the [product] *glassware* so produced, (4) the quantity thereof so produced,

(5) the market (either as to territory, customers, or class of customers) to or in which the same may be sold or distributed, (6) the price or terms of sale or other disposition of such [products] *glassware,* or (7) the use of [any] *either* machinery *used in the manufacture of glassware* [or equipment] distributed *by him or it,* or patented inventions *embodied in machinery used in the manufacture of glassware,* licensed, by him or it, to use in connection with any other machinery or equipment distributed, or inventions licensed, by him or it, or to use in any specified plant or locality; or

(b) gives or purports to give a right to terminate any license if any machinery or equipment is not so used; or

(c) which expressly provides that any licensee shall not contest the validity of any patent or patents of such defendant *covering inventions embodied in machinery, methods, or processes used in the manufacture of glassware;* or

(d) provides that parts and equipment constituting improvements on leased or sold machinery *used in the manufacture of glassware,* made by the licensee, shall become the property of the lessor or vendor; or

(e) provides that rights to improvements, including inventions, patent applications and patents covering licensed inventions embodied in machinery or processes or methods *used in the manufacture of glassware* made or acquired by the licensee, shall become the exclusive property of the lessor or vendor; or

(f) grants to any [licensee, lessee or] vendee of *glassware or to any licensee, lessee, or vendee of*

machinery, methods, or processes used in the manufacture of glassware [any product, machine, or equipment], when such *glassware, machinery, methods or processes embody* [product, machine or equipment embodies] inventions covered by patents or patent applications owned or controlled by it or him, a preferential position, whether by means of lower rates of royalty, by different provisions of licensing, leasing, or sale, by exclusive licenses, rebates, discounts, a share in net or gross income or any part thereof, or by any other means.

PARAGRAPH 52

The defendants, Hartford-Empire Company, and the individual defendants associated therewith; Corning Glass Works, and the individual defendants associated therewith; Empire Machine Company, and the individual defendants associated therewith; Owens-Illinois Glass Company, and the individual defendants associated therewith; Hazel-Atlas Glass Company, and the individual defendants associated therewith; Thatcher Manufacturing Company, and the individual defendants associated therewith; Lynch Corporation, and the individual defendants associated therewith; Ball Brothers Company, and the individual defendants associated therewith; and the defendants J. D. Dilworth, W. V. Fisher, T. C. Fulton, and G. F. Rieman; and each of them be and they hereby are enjoined from filing or prosecuting, or causing to be filed or prosecuted, applications for patents in the United States Patent Office: (a) for the purpose, in whole or in part, of using patents issued on said applications, to

block off, fence in, prevent or hinder the use or development or improvement by others of machines, methods, means or processes, which obtain or are capable of obtaining results in the glassware making art identical with, similar or alternative to, those obtained or obtainable by the machines, methods, means or processes, embodying inventions covered by patents owned or controlled by the defendant prosecuting said patent application; and (b) with the intention of not making commercial use of the inventions covered thereby *provided that failure to make such use* within four (4) years from the date of issuance of patents thereon [; provided that failure to make such commercial use of any such inventions] shall be deemed prima facie proof of the *presence* [absence] of such intention at the time of the filing or prosecution of such applications.

PARAGRAPH 55

55. For the purpose of securing compliance with this judgment, and for no other purpose, duly authorized representatives of the Department of Justice shall, on written request of the Attorney General or an Assistant Attorney General, and on reasonable notice to any one of the defendant corporations made to the principal office of such defendant corporation, be permitted, subject to any legally recognized privilege, (1) access, during the office hours of such defendant corporation, to all books, ledgers, accounts, correspondence, memoranda and other records and documents in the possession or under the control of any of the defendant corporations

relating to any matters contained in this judgment, (2) subject to the reasonable convenience of such defendant corporation and without restraint or interference from the defendants to interview officers or employees of such defendant corporation, who may have counsel present, regarding any such matters, and (3) such defendant corporation, on such request, shall submit [such] reports [in respect of any such matters as may from time to time be reasonably necessary for the proper enforcement of this judgment] *concerning (1) sales of machinery used in the manufacture of glassware pursuant to paragraphs 22 and 23 of this judgment and any such machinery owned or under the control but not in the possession of defendants Hartford-Empire Company, Corning Glass Works, Owens-Illinois Glass Company, Hazel-Atlas Glass Company, Thatcher Manufacturing Company, Lynch Corporation, and Ball Brothers Company, respectively; (2) licenses granted pursuant to subparagraphs 24 (a) and 24 (b) of this judgment; (3) copies of drawings and patterns furnished to applicants pursuant to subparagraph 24 (c) of this judgment; (4) amendments of the bylaws and certificate of incorporation of Glass Container Association of America, Inc., pursuant to paragraphs 37 and 39 of this judgment; (5) amendment of the certificate of incorporation of Hartford-Empire Company pursuant to paragraph 50 of this judgment; (6) sale of the assets of Ball Glass Corporation at Three Rivers, Texas, pursuant to paragraph 43 of this judgment; (7) sale of part of the assets of Lynch Corporation pursuant to paragraph 49 of this judgment; (8) patents and patent*

applications owned or controlled by each of the defendants Hartford-Empire Company, Corning Glass Works, Owens-Illinois Glass Company, Hazel-Atlas Glass Company, Thatcher Manufacturing Company, Lynch Corporation, and Ball Brothers Company covering inventions embodied or capable of being embodied in machinery used in the manufacture of glassware, specifying those patented inventions that are not being used commercially and those that were acquired from anyone other than the respective employees of each of such defendants; (9) capital stock, bonds, or other evidences of indebtedness of corporations engaged either in the manufacture and sale of glassware, or in the manufacture or distribution of machinery used in the manufacture of glassware, or in both, held or controlled, directly or indirectly, by each of the defendants, Hartford-Empire Company, Corning Glass Works, Owens-Illinois Glass Company, Hazel-Atlas Glass Company, Thatcher Manufacturing Company, Lynch Corporation, and Ball Bros. Co. by each individual defendant who is an officer or director thereof; provided, however, that such information obtained by the means permitted in this paragraph shall not be divulged by any representative of the Department of Justice to any person other than a duly authorized representative of the Department of Justice except in the course of legal proceedings for the purpose of securing compliance with this decree in which the United States is a party or as is otherwise required by law.

APPENDIX II

Agreements by Which Empire, Corning, Owens, Hazel, Lynch and Ball Contributed Patents to the Combination (Br. p. 107)

EMPIRE MACHINE AND CORNING

1916 contract between Hartford-Fairmont and Empire Machine (*Ex. 1, R. 8595*). Empire Machine granted Hartford-Fairmont an exclusive royalty-free license under its patents and applications relating to machinery for the manufacture of pressed glassware and ordinary glass containers (see F. 29, R. 7283).

1922 Glass Contract between Corning, Empire Machine, Hartford-Fairmont and Hartford (*Ex. 19, R. 8606 A*). Corning and Empire Machine granted Hartford an exclusive (subject to a Corning shop right) license under their glass composition and feeder and forming machine inventions for the manufacture of containers and paste mold ware (see F. 53, R. 7289).[1]

OWENS

1924 Hartford-Owens contract (*Ex. 55, R. 8629*). Owens granted Hartford an exclusive license under all its gob-feeding and forming

[1] The 1916 and 1922 contracts were cancelled on September 23, 1940 (Ex. H-5030, R. 9540; U. F. 509, R. 7378).

machine inventions held or acquired prior to July 1, 1941 (see F. 111 (1), R. 7299).[2]

1931 Hartford-Owens lehr agreement (*Ex. O–6045, R. 9854*). Owens granted Hartford an exclusive royalty-free license under all lehr inventions owned or acquired by Owens prior to July 1, 1941.[3]

HAZEL-ATLAS

1932 Hartford-Hazel agreement (*Ex. 142, R. 8764*). Hazel granted Hartford a nonexclusive license under all feeder and forming machine inventions owned or controlled by Hazel prior to January 3, 1945 (F. 212, R. 7323).

1932 Hazel-Owens agreement (*Ex. 148, R. 8813*). Hazel granted Owens a royalty-free exclusive license under all the suction machine inventions owned or controlled by Hazel prior to January 3, 1945 (F. 221, R. 7326).[4]

LYNCH

1933 Lynch-Owens agreement (*Ex. 328, R. 9063*). Lynch granted Owens an exclusive license under all the suction-machine inventions owned or acquired by Lynch prior to January 1, 1951 (U. F. 330, R. 7347).[5]

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[2] This license was made nonexclusive in 1932 (Ex. 145, R. 8787; F. 216, R. 7325), and was extended to January 3, 1945 (Ex. 145, R. 8792).

[3] This license was made nonexclusive in 1935 (Ex. 580, R. 9213; see F. 424, R. 7365).

[4] On January 14, 1942, Owens notified Hazel it was waiving the exclusive character of this license (U. F. 522, R. 7380).

[5] On February 16, 1940, this license was made nonexclusive (U. F. 512, R. 7378; Ex. LC 5096B, R. 9558).

1933 Lynch-Hartford feeder agreement (Ex. 329, R. 9065). Lynch granted Hartford an exclusive license under all the feeder inventions owned or acquired by Lynch prior to January 1, 1951 (U. F. 332, R. 7348).*

1933 Hartford-Lynch forming-machine agreement (Ex. 330, R. 9067). Lynch granted Hartford a nonexclusive royalty-free license under all of Lynch's forming-machine inventions (F. 335, R. 7348).

BALL BROTHERS

1933 Hartford-Ball agreement (Ex. 199, R. 8877). Ball agreed that should it desire to sell or license others to use its feeder inventions prior to January 1, 1945, it would first offer to sell them to Hartford upon the same terms upon which it was willing to sell them to others (U. F. 385, R. 7358).†

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* On September 18, 1940, this exclusive license was made nonexclusive (U. F. 511, R. 7378; Ex. H. 5028, R. 9538).

† The parties cancelled this option on August 1, 1940 (U. F. 513, R. 7379; Ex. H. 5026, R. 9527).

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Nos. 2-7

In the Supreme Court of the United States

OCTOBER TERM, 1944

HARTFORD-EMPIRE COMPANY, ET AL., APPELLANTS

v.

UNITED STATES OF AMERICA

ON APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF OHIO, WESTERN DIVISION

PETITION OF THE UNITED STATES FOR CLARIFICATION OR RECONSIDERATION

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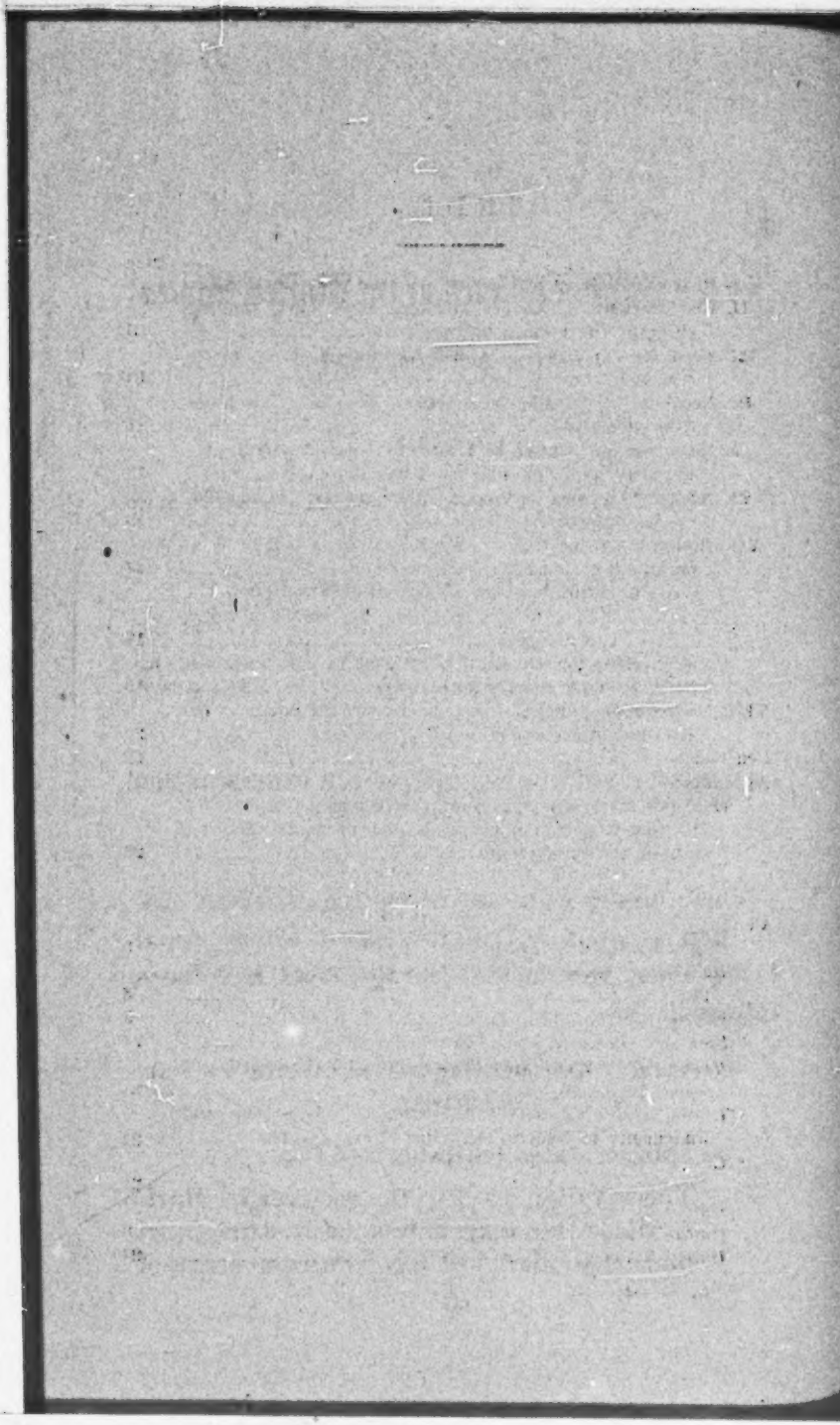

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This application is submitted because the opinion is open to interpretation which would bring about results that hardly could have been intended.

I. PROVISION THAT EARMARKED ROYALTIES BE PAID HARTFORD

The opinion states (Slipsheet, p. 17):

> The royalties paid to the receiver by Hartford's lessees may, unless the District Court finds that Hartford has, since the entry of

> the receivership decree, violated the anti-trust laws, or acted contrary to the terms of the final decree as modified by this opinion, be paid over to Hartford. In any event Hartford should receive out of these royalties compensation on a *quantum meruit* basis, for services rendered to lessees.

This language would appear to be subject to several interpretations. When considered with the opinion as a whole it might be interpreted either (1) that the royalties *may*, but need not necessarily, be paid to Hartford, within the discretion of the district court, so long as Hartford has not violated the antitrust laws, etc., since the entry of the receivership decree; this might permit the payment of reasonable royalties but not the entire amount collected; or (2) that the royalties earmarked *shall* be paid to Hartford unless Hartford has violated the antitrust laws, etc., since the entry of the receivership decree. In either event, of course, Hartford is to receive a *quantum meruit* allowance for services rendered. There is also a question as to whether the phrase "unless the District Court finds that Hartford has, since the entry of the receivership decree, violated the anti-trust laws," requires a new violation or merely a continuance of the illegal monopolization of patents, machinery and glassware previously achieved.

If the word "may" is to be read as "shall", the consequence of the receivership will have been to place the independent glassware manufacturers

in a worse position *vis-a-vis* Hartford and Hazel-Atlas than would otherwise have been the case. We do not believe that these considerations were fully presented to the Court or that the Court intended that these independent companies be penalized because of the long time elapsing between the judgment below and the final decision of this Court.

The report of the Receiver (pp. 39–41), already filed with the Court, shows that between the establishment of the receivership on September 1, 1942 and June 30, 1944 $11,594,933.42 was paid in by licensees as royalties on Hartford's patents. Of this amount $7,488,937.65 came from independent companies not connected with the conspiracy. By now the total sum approximates $15,000,000.

If it had not been for the receivership, many of the licensees would not have paid any further royalties to Hartford. The Receiver's report (quoted in Appendix, *infra*, pp. 23–28) attests to this. It describes the Receiver's effort to induce the independent manufacturers to pay, and his fear that if any refused the other licensees would follow suit. The Receiver concluded "that without a court officer to enforce payment of royalties during the long and uncertain interim between the announcement of the opinion of the District Court and the final decision by the Supreme Court, the licensees of Hartford-Empire Company would not have paid royalties to Hartford" (p. 15). See also R. 7592.

A. These sums were paid to the Receiver, often under protest, as royalties on patents which the District Court had found had been obtained both fraudulently and by means not authorized under the patent grant. As to the principal one of these patents, this Court has already held that it was obtained by fraud (*Hazel-Atlas Glass Co.* v. *Hartford-Empire Co.*, 322 U. S. 238);[1] and others of the important patents are similarly tainted.[2]

Since the basic patents were fraudulently obtained, they are subject to cancellation. As stated in the opinion (slipsheet, p. 19), if some of the patents were improperly obtained, "avenues are open to the Government to raise these questions and to have the patents cancelled." At the present time the Government is about to institute proceedings for the cancellation of these basic patents. A decree of cancellation would show that the independent licensees were under no obligation to pay royalties to Hartford on these patents, and thus would establish that Hartford has no right to the earmarked royalties, or to such of them as can be attributed to the basic patents and those connected with them. Since it would be much

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[1] This patent expired January 3, 1945. The question as to its validity is not moot, however, inasmuch as Hartford's right to royalties on it for the period prior to its expiration may depend upon whether it was obtained by fraud.

[2] As to the Steimer patents and the Peiler "heated hood" patent, see the Government's brief on reargument, pp. 108–110, and the Government's brief on the original argument, pp. 76–84.

more difficult for the independent glassware manufacturers to recover the money once it is paid over to Hartford, and since Hartford would not have received the royalties during this period if it had not been for the receivership, the money should not now be turned over to Hartford. At the very least, it should be held by the district court until the validity of the patents is determined in the cancellations proceedings.

B. In its opinions in *Morton Salt Co.* v. *Suppiger Co.*, 314 U. S. 488, 493, and *B. B. Chemical Co.* v. *Ellis*, 314 U. S. 495, 498, the Court declared that a patentee could not prevail in an action against an infringer if it had abused its patent privilege until it could show not only that "the improper practice has been abandoned" but also that "the consequences of the misuse of the patent have been dissipated".[3] In the latter case, the Court expressly held that a patentee was not entitled to relief merely because its unlawful practices ceased. Although the opinion in the instant case holds that patent rights may not be forfeited in antitrust proceedings, we assume that it does not intend to overrule or limit the *Morton Salt* and *B. B. Chemical* cases in so far as they

[3] In the *B. B. Chemical* case, the Court said (p. 498) that it would "be appropriate *to consider* petitioner's right to relief when it is able to show that it has fully abandoned its present method of restraining competition in the sale of unpatented articles and that the consequences of that practice have been fully dissipated." [Emphasis supplied.]

allow an infringer a defense against actions brought by a patentee who has abused the patent privilege before "the consequences of the misuse of the patent have been dissipated."[4]

We think clearly that even though the earmarked royalties were collected by the Receiver after Hartford's unlawful practices had ceased, the effect of the illegal conduct had not been dissipated at that time. For if it had not been for the fraud and unlawful restraints Hartford would not have had the combination of patents which was responsible for the payment of royalties to it. In any event, even if this be regarded as doubtful, the licensees should not be deprived by the decree and receivership of their opportunity to set up those defenses to an action by Hartford for the royalties. They, or some of them, would not have paid the royalties if it were not for the action of the Receiver, and they should not be prejudiced by their compliance under protest with the Receiver's demands, which though not compulsory, had the status and dignity of a request from the District Court itself (see R. 7572). If this Court agrees that the licensees should not be deprived of the defenses available to them under the *Morton Salt* and *B. B. Chemical* cases against Hartford,

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[4] The second sentence on page 20 of the opinion read by itself might suggest that the Court was limiting the *Morton Salt* and *B. B. Chemical* cases generally and not merely holding them inapplicable in an antitrust proceeding brought by the Government.

it should either order the funds returned to them without prejudice to Hartford's right to sue or should order the royalties retained by the court below until Hartford establishes its right to them.

3. The effect of returning the earmarked royalties to Hartford is to give the appellant Hazel-Atlas Glass Company an advantage over all its competitors, most of whom were not parties to the conspiracy. Hazel's royalties for the period in question, amounting to $1,594,509.58 (Receiver's Report, p. 51) were not included in the earmarked fund in the custody of the Receiver but were specially impounded by the court together with the one-third of Hartford's income, over $850,000, required to be paid Hazel under the 1932 agreement. This Court has ordered that the funds "impounded in the registry should be repaid to those who paid them into court" (p. 17). This allows Hazel to recover the royalties due from it to Hartford, while the general provision applicable to the earmarked funds allows Hartford to keep the royalties paid by Hazel's competitors. We do not think such a result, which penalizes the innocent in favor of a party to an unlawful agreement, is what the court intended, since it leaves those who have not violated the law at a further competitive disadvantage.

For these reasons, it is respectfully requested that this Court order that the royalties paid by Hartford's lessees either be returned to the lessees,

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without prejudice to Hartford's ability to establish any rights it may have to them, or, in the alternative, that the royalties remain impounded until disposition of the cancellation proceedings to be instituted by the Government and the determination of Harford's right to such royalties in independent actions brought by Hartford against the licensees. Cf. *United States* v. *Morgan*, 307 U. S. 183, 313 U. S. 409.[8]

II. CLARIFICATION OF MANDATE SO AS TO AVOID LAPSE PENDING ENTRY OF THE REVISED DECREE

At the conclusion of its opinion, this Court states (Slipsheet p. 35):

> * * * the decree entered is vacated and the cause is remanded for further proceedings in conformity to this opinion.

This would appear to leave no judgment at all in effect between the entry of this Court's mandate and the formulation of a new decree by the court below, a process which may take considerable time. If this is so, the appellants would be free from injunctive restraints against conduct held

[8] If the earmarked fund is turned over to Hartford the result will have been to require the licensees, who paid these royalties to the Receiver before the dissolution of the illegal pool, to pay full tribute, while after compulsory licensing they will be required to pay only *reasonable* royalties. If the Court permits Hartford to get the royalties, it should empower the district court to limit Hartford's recovery to a reasonable amount. As to the reasonableness of present royalties, see pp. 17–18, *infra*.

by the Court to be illegal and would not be required to issue licenses during the interim period. Furthermore, to vacate the decree before a new one was entered would deprive the Receiver of power to function pending the winding up of the receivership which this Court has directed, and pending the determination by the district court as to whether Hartford has, since the entry of the decree, so violated the antitrust laws or acted contrary to the terms of the decree as modified, as to require the royalties to be returned to the licensees (Slipsheet, p. 17). Although the district court stayed most of its own judgment while the appeal to this Court was pending, it established the receivership in order to protect the industry against Hartford during this period. This Court has recognized the usefulness of the receivership "for the preservation of rights pending the determination of this litigation" (Slipsheet, p. 17).

We do not believe that the Court intended any complete lapse of judicial control over and restraint of appellants such as would result if the decree is immediately vacated; accordingly the mandate should be so phrased as to prevent the vacation of the judgment until the new one is entered. This could be achieved either by deleting from the final paragraph of this Court's opinion the phrase "the decree entered is vacated", which would still require the district court to proceed in conformity to the opinion, or by changing

the phrase to read "the decree should be vacated", or to have the mandate so phrased as to require the district court to vacate its decree upon entry of a new decree in conformity to this Court's opinion.

III. NEED FOR EXPANSION OF PHRASE "FEEDERS, FORMERS, STACKERS, AND LEHRS" TO INCLUDE SUCTION MACHINES

The Court limited various provisions of the decree to

> feeders, formers, stackers and lehrs and patents covering these or improvements of them, or methods or processes used in connection with them, [slipsheet pp. 21, 23, 26, 33]

This would appear to omit the Owens and Hartford suction machine patents, including the O'Neill suction patents illegally acquired by Owens, inasmuch as the suction machines did not come within the definitions of "feeders", "forming machines", "lehrs" and "stackers" contained in paragraph 1, subsections (G), (H), (J) and (K) of the judgment. The suction machines are separately defined in paragraph 1 (I). Owens' control of the suction field was an integral part of the conspiracy found unlawful by this Court; the suction machine was exceedingly important and Owens' production in suction machines accounted for about 27.4% of the total glassware production (R. 7375). This Court found that "Owens, although its basic

patent had expired, continued, by virtue of improvement patents, to dominate the suction field" [slipsheet, p. 9].

We assume that the Court did not intend to omit suction machines and patents from the operation of the decree,[6] and accordingly request that the words "suction machines" be included in the list of the types of machinery specified at the various points in the opinion.[7]

IV. NEED FOR PREVENTING REPOSSESSION OF LEASED MACHINES FROM LICENSEES

The original decree deprived Hartford of the power to lease its machinery. These provisions have now been deleted. The judgment as modified by this Court relies upon a system of compulsory licensing to restore competition in the industries affected. Such a system would be ineffective if appellants were permitted to withdraw their leased machines from manufacturers operating under the licenses to use appellants' inventions; the leases customarily ran for shorter periods than the term of a patent and contained provisions for

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[6] This is indicated by the fact that the Court was moved to modify the decree in this respect by its fear that the original provisions would include entirely different kind of inventions covering such matters as bottle capping and glass composition (slip-sheet page 2i).

[7] Paragraph i (F) of the present judgment defines "the term 'machinery used in the manufacture of glassware' * * * to signify feeders, forming machines, suction machines, lehrs, and stackers, as defined in subparagraph (G), (H), (I), (J) and (K) of this paragraph 1 of this judgment."

earlier termination on various contingencies. The harmful effect of permitting the withdrawal of leased machines applies to the present manufacturers now in the possession of machinery leased from Hartford, who could not continue in business under a mere compulsory license if the machinery were repossessed at the expiration of a lease or any other time, and to manufacturers seeking to enter the industry, who will not do so if they know that appellants may withdraw any machines they lease to them. Inasmuch as there are at the present time, as a result of the conspiracy, no independent glassware machinery manufacturers, this is extremely important.[8] In addition, there is, of course, doubt as to whether any machinery can be produced while the war is going on.

We assume that this Court did not intend the compulsory licensing system it approved to be destroyed by appellants' power to withdraw leased machines. The opinion states that (slipsheet p. 23):

> Hartford and the other corporate defendants mentioned in paragraph 24 should be required to *lease or license* glass making machinery of the classes each now manu-

[8] The Hartford Special Machinery Company, which makes all of the machines for Hartford, could hardly be expected to manufacture machines for Hartford's competitors. There are also other small manufacturers of widemouth forming machines.

> factures to any who may desire to take licenses * * *

The use of the word "lease" implies that the Court meant the licenses to be accompanied by leases, at least in so far as companies employing appellants' machinery are concerned. The word "or" may be read, however, as permitting an appellant to satisfy the requirement merely by issuing a license, while leaving it free to repossess leased machines upon termination of the leases while the licenses remain in effect. This result can be avoided if the District Court is directed to require the appellants to renew leases to licensees and to enjoin appellants from repossessing or threatening to repossess the machinery leased to licensees even at the expiration of the leases, except upon application to and approval of the District Court.

V. NEED FOR CLARIFICATION TO ASSURE THAT COMPULSORY LICENSING SHALL APPLY TO SUPPRESSED MACHINES

In elaborating the proposed revision of Paragraph 24 (a) the Court says (slipsheet, p. 23) that the corporate defendants

> should be required to lease or license glass making machinery of the classes *each now manufactures* to any who may desire to take licenses * * * [italics supplied]

We assume that the Court intended to include machinery *now leased,* since Hartford does not

manufacture, but has its machinery manufactured for it; to avoid any doubts as to this, the words "or leases" should be inserted after the word "manufactures".

But even if the language is read to include machines now leased, the clause needs further clarification in order to require the defendants to license to the trade the many types of feeders which they acquired and which are not now made but were suppressed in favor of Hartford's single feeder. The Howard, Federal, Kucera, Rankin, Bethel, Tucker and Reeves and Miller feeders are examples. Several of them are thought by some to be superior to the Hartford feeder (Exs. H-5405, 1949, 623, R. 15118, 14521, 13266). While there may be no reason to require Hartford to provide and lease these other feeders (which are not now manufactured), there is every reason why the defendants should be required to license others to make, have made, sell, lease or use them; and it is submitted that the opinion should be clarified to permit such a requirement. The defendants should accordingly be required to license all applicants under all of the defendants' patents covering machinery and methods used in the manufacture of glassware, regardless of whether machines embodying such patents are now being distributed by such defendants.

VI. NEED FOR CLARIFICATION TO SHOW THAT INDEPENDENT MACHINERY MANUFACTURERS MAY OBTAIN LICENSES

The discussion of compulsory licensing deals only with the glassware manufacturer, and apparently omits any requirements as to licenses for makers of machinery used in the manufacture of glassware (slipsheet, p. 23). Inasmuch as the Court approved the finding of the District Court that "competition in the manufacture and sale or licensing of such machinery had been suppressed" (slipsheet, p. 8), we assume that it did not intend to exclude machinery manufacturers from the compulsory licensing provisions of the decree. For competitive conditions in the manufacture of machinery can be restored only if the independent machinery manufacturers are permitted to make and sell or lease patented machines in competition with the defendants. This was the effect of the provisions of paragraph 24 requiring the defendants to license any applicant "to make, to have made for it, and to use any number of machines", when combined with paragraph 26 forbidding the prosecution of infringement suits. Any different result would be most unfortunate, since it would have the effect of perpetuating Hartford and Lynch in their positions as sole distributors (except for wide mouth forming machines) of glass-

ware making machinery, a position which they achieved as the result of the illegal conspiracy. It is of the utmost importance in any antitrust decree to avoid closing the field to the independent manufacturer.

The broad injunction against the bringing of infringement suits in paragraph 26 of the original decree was sufficient to protect the independent machinery manufacturers; but the modification of this paragraph has removed this protection, apparently without requiring that licenses be given to independent machinery manufacturers. This interpretation of the decree might find support in the Court's language (slipsheet, p. 23) that "defendants * * * should be required to lease or license glass making machinery", without reference to the licensing of the right to make it. Furthermore, a license to a machinery manufacturer would be meaningless unless he were authorized to sell or lease the machines he made; paragraph 24, as it now stands without paragraph 26, would not appear to require the inclusion of any such provision in the license. We respectfully request clarification of the opinion and the decree to make it certain that appellants are required to license independent machinery manufacturers to make, sell and lease machinery used in the manufacture of glassware and embodying inventions covered by the defendants' patents, on the same basis as the manufacturers of glassware.

VII. NEED FOR CLARIFICATION AS TO MEANING AND EFFECT OF COMPULSORY LICENSING AT REASONABLE ROYALTIES

A. IT SHOULD BE MADE CLEAR THAT THIS COURT HAS NOT ALREADY DETERMINED THAT THE STANDARD ROYALTIES ARE REASONABLE

The opinion (Slipsheet, p. 21) states that paragraph 24 (a) is to be modified "to permit the reservation of *reasonable royalties*". In the subsequent elaboration (p. 23) it is said that appellants should be required to license "at *standard* royalties" (emphasis supplied). Hartford's presently subsisting royalties are designated in its brief as "standard royalties" and are elsewhere (slipsheet, pp. 14, 19) so described to in the opinion of the Court. Although we do not think that was intended, the use of the word "standard" on page 23 may be taken as binding the District Court to hold that the present royalties are reasonable for purposes of administering paragraph 24 as revised. This impression can be avoided by substituting the word "reasonable" used on page 21 for "standard" on page 23.

Although the opinion (pp. 14, 19) states that the Government "did not assert, or attempt to prove, that these royalties were not reasonable" it is plain that the Government never conceded their reasonableness. Moreover, the District Court found, despite the evidence of reduction to

the currently prevailing rate, that (Finding 481, R. 2326):

> Since 1932 or 1933, Hartford has burdened the industry and the purchasing public with royalty rates in excess of those required to pay all its expenses and to provide it with a reasonable return upon its capital investment (see R. 9171, 4196–4197; Exs. 1772, 1339, 1861, 586, 1352, H–5130, 1823, 1824, H–5803, H–5803A, 415, H–5002).

This finding, it should be noted, covers the entire period since 1933, and thus would include the present royalties. The Government had argued both in its brief in the District Court (pp. 364–368) and in its original brief in this Court (pp. 19–20) that Hartford had burdened the industry with royalty rates permitting it to make excessive profits. The point here, however, is not whether the reasonableness of the royalties was in issue at the trial, but merely whether this Court intended the District Court on the remand to be required to treat Hartford's present royalties as reasonable.

B. NEED FOR CLARIFICATION OF WHAT IS TO BE INCLUDED IN THE REASONABLE ROYALTY

If we assume that Hartford is to be allowed "reasonable" royalties, a problem remains as to what such royalties are to cover. Hartford's practice has been to charge (1) a license fee rep-

resenting somewhere near the cost of the leased machine (R. 7498), and (2) a royalty measured by production on the leased machine. Hartford took the position at the trial that this royalty was compensation not only for the use of its patented inventions, but also for the servicing of the machines, for advice rendered and research and development carried on by Hartford for its licensees (R. 7499). It may also cover the rental value of the use of the machines as distinguished from the value of the use of the patented inventions embodied in them.

Although Hartford has in the past treated all these items as inseverable, a glassware manufacturer or machinery manufacturer should be able to secure licenses to use the inventions, without any machinery, or inventions and machinery without services, or services, without being charged more than a reasonable pric for what he actually gets. In addition applicants should be free to obtain licenses for any one or more of the inventions covered by the defendants' patents without taking them all. The opinion should make it clear that in fixing reasonable royalties the District Court may determine reasonable compensation for each invention, machine or service desired by the applicant, and that he is not required to permit Hartford to continue its present system of forcing all or nothing upon licensees.

VIII. NEED FOR RESERVING TO THE DISTRICT COURT THE POWER TO ORDER DISSOLUTION OF HARTFORD IF NECESSARY

As the above discussion indicates, the problems presented by the modifications made by this Court can not well be appraised until the District Court attempts to work out the many questions which will arise in framing the revised decree. Since the decree sets up a complex and novel mechanism, the effect of its operation in restoring competitive conditions is somewhat unpredictable.

A. It was for this reason that the District Court in its opinion (pp. 156–7) reserved to itself the alternative of ordering the dissolution of Hartford in the event that the decree as adopted proved insufficient to restore a free and competitive status to the industry. It provided in paragraph 19 of the decree that the Receiver or the Attorney General, upon concluding at any time that its provisions were not operating to eliminate the illegal practices, should submit a plan for the dissolution of Hartford. If there were grounds for doubt as to the effectiveness of *royalty-free* compulsory licensing in dissolving the monopoly, it follows *a fortiori,* that the effectiveness of a reasonable royalty system with respect to existing patents is still further in doubt. The fact that the opinion has been modified should not deprive the District Court of the right to try the alternative relief if, when it attempts to frame a decree, it believes that the system of compulsory licensing

at reasonable royalties will not restore competition in the industry.

We do not have here only a question of the monopolization of patents, but the broader question of monopolizing the manufacture and distribution of machinery and glassware, of controlling prices and restricting production. The traditional remedy for such types of monopolization has always been dissolution of the combination. As stated by Chief Justice White in *Standard Oil Co.* v. *United States,* 221 U. S. 1, 77–8, injunctive relief may be sufficient where only attempted monopolies have been proved, but where the condition is not only in and of itself a continued attempt to monopolize but also a monopolization, the duty to enforce the statute "requires" a remedy which will effectually dissolve the combination. *United States* v. *American Tobacco Co.,* 221 U. S. 106, 187–8, 191 Fed. 371, 417, *1 Decrees and Judgments in Federal Antitrust Cases,* 165–192; cf. *United States* v. *Reading Co.,* 253 U. S. 26, 63–64, motion to modify decree denied, 253 U. S. 478; *United States* v. *Lehigh Valley R. Co.,* 254 U. S. 255, 270; *United States* v. *duPont de Nemours & Co.,* 188 Fed. 127 (C. C. D. Del.), 273 Fed. 869, 871 (D. C. Del.). This court did not hesitate to dissolve the Glass Container Association.

If Hartford were dissolved into several competing companies, these companies could be given joint access to the existing patents and might be

expected to establish competition in (1) royalties, (2) servicing, (3) quality of machines, (4) terms of leasing or sale, and (5) research and invention. It is submitted that the District Court in attempting to frame the new decree may find difficulties in administration or otherwise which will demonstrate that the remedy of dissolution will operate much more effectively to restore competitive conditions. We believe that the decree should permit the court to exercise its discretion in this event.

B. If the District Court is not to be authorized to determine in his discretion that dissolution is required now, it is submitted that the opinion should be clarified to show, at the very least, that if the District Court is convinced, after a fair trial, that the compulsory licensing system is not effective to dissolve the monopoly or terminate the abuses, he may, under the powers reserved in paragraph 57 (a), resort to a dissolution of Hartford. Clarification of his right to do this is rendered the more essential by the conclusion of Mr. Justice Rutledge that the majority opinion foreclosed the District Court from directing Hartford's dissolution (Slipsheet, p. 44).

CONCLUSION

We respectfully submit these matters to the Court, without requesting further argument, for such clarification or reconsideration as to the Court may seem proper.

CHARLES FAHY,
Solicitor General.

FEBRUARY, 1945

APPENDIX

EXCERPTS FROM REPORT OF JAMES A. SHANLEY, RECEIVER OF HARTFORD-EMPIRE COMPANY, ON THE OPERATION AND RESULTS OF THE RECEIVERSHIP

(pp. 9–11:)

When the decision of the court was announced, holding that Hartford-Empire Company had used its license and lease system in violation of the anti-trust laws and that all license and lease agreements should, therefore, be cancelled and the entire system abolished, the licensees were in doubt as to whether they should continue to pay royalties. Many of them desired and expected to receive immediately the benefits of the court's decision.

On September 3, 1942, as soon as practicable after taking over the property and assets of the company, the Receiver addressed a letter to all licensees of Hartford-Empire Company, notifying them of the opinion of the court and of his appointment as Receiver. He further advised the licensees of the order of the court requiring him as Receiver to carry out existing agreements with licensees, to collect all royalties and fees, and to earmark the royalties pending final action of the Supreme Court of the United States.

The licensees were directed to continue payments of royalties and fees just as they had done before the decision of the District Court except that all checks should be made payable to the Re-

ceiver. Even after this letter, it required many conferences and voluminous correspondence to convince some of the licensees that the cancellation by the court of the license and lease agreements did not become immediately effective and that this part of the judgment of the court had been suspended and stayed pending final disposition of the case by the Supreme Court.

Several of the licensees, including two of the largest payers, at first refused to pay royalties to the Receiver. Apparently, they were advised by their counsel not to do so.[7] One group of licensees persisted for many weeks in its refusal to pay royalties. Counsel for this group conferred many times with the Receiver in an effort to persuade him that the group of licensees which he represented should be excused from payment.

The Receiver was certain that if one or more of the licensees refused to pay royalties the news of their refusal so to do would spread to the others, and that the result would be a refusal by all licensees to pay royalties. In order to prevent

---

[7] Some of the licensees were concerned as to the taxability of the segregated funds and assigned this excuse for not paying royalties. To remove this objection the Receiver directed his counsel to file an application with the Commissioner of Internal Revenue for an administrative ruling concerning taxability of these funds. On February 25, 1943, the Commissioner handed down a ruling to the effect that the royalty funds collected and earmarked by the Receiver were not taxable prior to the time that they became available to the company. The Commissioner also held that the royalties paid by the licensees and impounded by the Receiver were deductible for income tax purposes by the licensees in the year in which the expense was incurred or paid.

such an epidemic, the Receiver insisted that all licensees without exception pay royalties promptly under their license and lease agreements.

In the case of the large group of licensees hereinabove mentioned, it was only after the Receiver had declined to furnish equipment needed by one member of the group and after an informal conference had been had with counsel for this group in the presence of the court, that this group of licensees capitulated and began the payment of royalties.

All companies constituting this group have since paid royalties to the Receiver, the total payments averaging about $50,000.00 monthly.

As a result of the Receiver's efforts in the early weeks of the receivership all licensees, with the exception of two or three who were actually engaged in litigation with Hartford-Empire Company at the time the Receiver was appointed, have continued to pay royalties to the Receiver.

* * * * *

(pp. 12–14:)

The collection of these royalties by the Receiver has not been an easy task. It has not been automatic, a mere bookkeeping transaction. Although the critical period was the first few weeks of the receivership, it has been necessary from time to time, even down to the present date, to exert the full authority of a court officer in order to collect the royalties.

A few of the licensees have been quick to seize upon one pretext or another for discontinuing payment of royalties. Particularly the Receiver

has had a difficult time with renewals of expiring license and lease agreements. In order to maintain the *status quo* and to continue the business of Hartford-Empire Company, the Receiver has had to insist that expiring license and lease agreements be renewed according to their terms or that the machines covered by such agreements be returned to the Receiver. Not to have so insisted would have meant serious interruption and probable breakdown of the business long before the decision of the Supreme Court was announced.

Two of the largest licensees and several of the smaller concerns vigorously resisted the efforts of the Receiver in the matter of renewals of expiring agreements. Several of these agreements have been renewed only after prolonged negotiations with the Receiver. In twenty-two months more than 75 expiring license and lease agreements have been renewed, thereby insuring continuation of business and royalty payments to the Receiver.

Only recently one of the largest royalty payers has, without the approval of the court or the receiver, discontinued the payment of royalties under its agreement with Hartford-Empire on the pretext that the opinions of the Supreme Court in the case of *Hazel-Atlas Glass Company* vs. *Hartford-Empire Company,* No. 398, and in the case of *Shawkee Manufacturing Company, et al.* vs. *Hartford-Empire Company,* No. 423, relieved it from the obligation to make further payments of royalties on a part of its production.

This licensee, Ball Brothers Company, the largest producer of fruit jars in the world, discontinued as of May 15, 1944 (the date the opin-

ions of the Supreme Court just mentioned were announced); the payment of royalties to the Receiver on Ball-feeder production. Its counsel brought the matter to the attention of the Receiver and his attorneys, who, after investigating the subject, have reached the conclusion that Ball Brothers Company was not justified in its action.

The Receiver, thereupon, filed a petition with this court, now pending, requesting an order directing Ball Brothers Company to resume and continue the payment of royalties to the Receiver on its Ball-feeders until the decision of the Supreme Court has been announced or until the agreement under which such royalties are payable has expired.

This matter involves, from May 15, 1944, to December 31, 1944, the amount of approximately $225,000.00. It also involves the stability of the earmarking program set up by the court, because if Ball Brothers Company is permitted to discontinue the payment of royalties, other licensees will promptly be advised of its action and will likewise quit paying. In fact, several other licensees have already written to the Receiver seeking to be relieved from further payment of royalties.

* * * * *

(p. 15:)

To conclude, the Receiver ventures to report to the court, based upon his experience over the past twenty-two months, that without a court officer to enforce payment of royalties during the long and uncertain interim between the announcement of the opinion of the District Court and the final

decision by the Supreme Court, the licensees of Hartford-Empire Company would not have paid royalties to Hartford, and it would not have been possible for Hartford without the aid of the Receiver to have carried out existing license and lease agreements, to have enforced renewal of expiring agreements, and to have collected the royalties.

* * * * *

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1944

Nos. 2-7.

HARTFORD-EMPIRE COMPANY, F. GOODWIN SMITH, BARTLETT ARKELL, *et al.*,

Appellants,

v.

THE UNITED STATES OF AMERICA,

Appellee.

BRIEF ON BEHALF OF CERTAIN GLASS MANUFACTURING COMPANIES IN APPLICATION FOR A CONSTRUCTION OF THE DECISION OF THE UNITED STATES SUPREME COURT HEREIN

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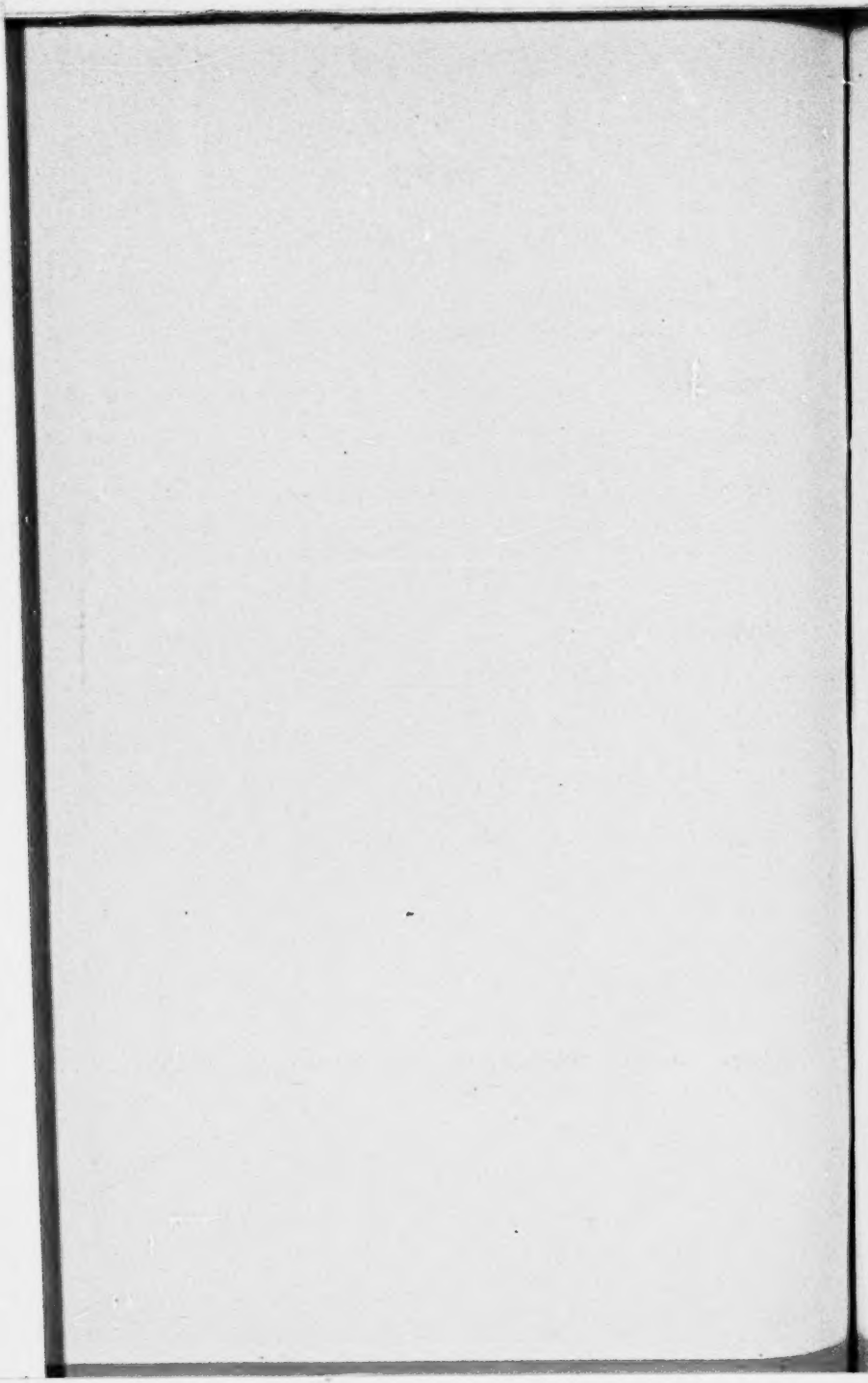

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BRIEF ON BEHALF OF CERTAIN GLASS MANUFACTURING COMPANIES IN APPLICATION FOR A CONSTRUCTION OF THE DECISION OF THE UNITED STATES SUPREME COURT HEREIN

Summary Statement of Position

This brief is submitted under the precedent furnished by *United States* v. *Terminal Railroad Association of St. Louis,* 236 U. S. 194 (1915), on behalf of the following affiliated corporations, which are hereinafter referred to collectively as the Knox Companies:

Knox Glass Bottle Company, of Pennsylvania
Knox Glass Bottle Company, of Mississippi
Lincoln Glass Bottle Company
Marienville Glass Company
Metro Glass Bottle Company
Oil City Glass Bottle Company
Pennsylvania Bottle Company
Seaboard Glass Bottle Company
Wightman Bottle & Glass Manufacturing Company.

These Knox Companies have heretofore appeared herein on two occasions by Arnold Boyd, Esq., as Amicus Curiae. They are not and never have been parties to the action in the District Court, from the judgment in which this appeal was taken, nor to any of the proceedings on appeal. As manufacturers of glass containers and as licensees of the Hartford-Empire Company, they are, however, affected by the decision of this Court rendered herein, most immediately and directly by the part of the opinion of this Court which reads:

> "The royalties paid to the receiver by Hartford's lessees may, unless the District Court finds that Hartford has, since the entry of the receivership decree, violated the anti-trust laws, or acted contrary to the terms of the final decree as modified by this opinion, be paid over to Hartford. In any event Hartford should receive out of these royalties compensation on a *quantum meruit* basis, for services rendered to lessees. The other funds paid into court and impounded in the registry should be repaid to those who paid them into court."

The quoted material is obviously directed to that part of the order of the District Court which directed the payment of royalties to the Receiver pending the determination of the appeal to this Court.

Under the District Court's order, and under protest, the Knox Companies have collectively paid over to the Receiver, and the Receiver now holds $1,733,275.93 in royalties (see Appendix A annexed hereto). It is not believed that this Court intended to destroy legal rights in those funds which were created in circumstances which are not set forth in the record. The direction that the royalties "may * * * be paid" to the Hartford-Empire Company is sufficiently indefinite, however, to leave some doubt of the proper disposition to be made of the funds under discussion and to require some further construction by this Court of its decision in the matter.

Argument

Of the $1,733,275.93 paid by the Knox Companies to the Receiver to date, $1,600,259.01 consisted of royalties on "feeders" embodying the devices known as the Peiler "plunger", purportedly covered by Patent No. 1,655,391, and the Peiler "heated hood", purportedly covered by Patent No. 2,073,572, devices which are important parts, if indeed they are not the most important parts, of the gob feeding process which is Hartford's specialty. On May 15, 1944, many months after the District Court had made its order directing the payment of royalties to the Receiver, this Court decided *Hazel-Atlas Glass Company* v. *Hartford-Empire Company*, 322 U. S. (Advance Sheets) 238, in which it held that Patent No. 1,655,391, the "plunger" patent, was invalid because of fraud exercised by Hartford both in obtaining its issuance from the Patent Office and in securing affirmation of its validity by the lower Federal Courts. This Court said, at 322 U. S. (Advance Sheets) 250:

> "The plan was executed, and the article was put to fraudulent use in the Patent Office, contrary to law. U. S. C., Title 35, Sec. 69; United States v. American Bell Telephone Co., 128 U. S. 315. From there the trail of fraud continued without break through the District Court and up to the Circuit Court of Appeals. * * * The total effect of all this fraud, practiced both on the Patent Office and the courts, calls for nothing less than a complete denial of relief to Hartford for the claimed infringement of the patent thereby procured and enforced."

This Court has now upheld the District Court in the finding that Hartford employed its patents, including the Peiler "plunger" patent, as instruments of monopoly in flagrant violation of the anti-trust laws. Therefore, to state the matter in terms of the situation under discussion, the very substantial portion of the royalties paid

by the Knox Companies to the Receiver which are attributable to Patent No. 1,655,391 have been paid on an invalid patent and paid under license agreements obtained in furtherance of a conspiracy to violate the anti-trust laws. The Knox Companies could have refused to pay royalties to Hartford on Patent No. 1,655,391 and successfully withstood not only a suit for infringement, as did the Hazel-Atlas Glass Company, but also a suit for royalties by Hartford (see *Sola Electric Co.* v. *Jefferson Electric Co.*, 317 U. S. 173 (1942)). Under the doctrine of *Keystone Driller Co.* v. *Excavator Co.*, 290 U. S. 240 (1933), which requires no extension to be applicable to the situation described, the Knox Companies could have refused to pay and successfully withstood suit for all royalties on "feeders".

The Knox Companies should not be placed in a worse position with respect to these royalties simply because they followed the direction of the District Court and paid them to the Receiver. In paying them, the Knox Companies preserved their rights. They made it plain (see Appendix B annexed hereto) that they paid them under protest, that they paid them to the Receiver, and not to Hartford, and that they did not waive any rights against Hartford. In view of these reservations, it seems clear that the Knox Companies have not made such a payment to Hartford of the royalties under discussion as would preclude the Knox Companies retaking them in appropriate proceedings.

In common with other companies which paid royalties to the Receiver, the Knox Companies have the right to have determined the question of whether those royalties which are not tainted with fraud are reasonable, and to have any amount in excess of reasonable royalties returned to them.

Conclusion

This Court has directed that the "funds paid into court and impounded in the registry should be repaid to those who paid them into court". Those who paid the funds were among those found guilty of violating the anti-trust laws. Certainly it would not be unconscionable to give a similar direction with respect to the $1,733,275.93 paid by the Knox Companies to the Receiver, with the qualification that repayment shall be made without prejudice to Hartford's rights, if any, to sue for recovery of the funds. In the alternative, it is petitioned that this Court direct that the Knox Companies' funds be paid into the United States District Court for the Northern District of Ohio, their final disposition to await the determination of any claims which may be asserted with respect to them, within a prescribed period, by the Knox Companies, Hartford, or any others.

Oral argument is not requested.

Respectfully submitted,

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HAMILTON VREELAND, JR.,
WILLIAM E. MILLS, JR.,
of Counsel.

Appendix A

Part 1

	All royalties paid to the Receiver of Hartford Empire Company
Knox Glass Bottle Company, of Pennsylvania	$ 142,385.82
Knox Glass Bottle Company, of Mississippi	341,640.66
Lincoln Glass Bottle Company	125,208.07
Marienville Glass Company	194,386.66
Metro Glass Bottling Company	201,998.18
Oil City Glass Bottle Company	157,401.91
Pennsylvania Bottle Company	209,601.75
Seaboard Glass Bottle Company	175,050.73
Wightman Bottle & Glass Manufacturing Company	185,602.15
Total	$1,733,275.93

Part 2

	All royalties paid to the Receiver of Hartford-Empire Company on Feeders
Knox Glass Bottle Company, of Pennsylvania	$ 139,805.82
Knox Glass Bottle Company, of Mississippi	318,845.66
Lincoln Glass Bottle Company	115,658.00
Marienville Glass Company	181,559.16
Metro Glass Bottle Company	190,303.18
Oil City Glass Bottle Company	149,354.41
Pennsylvania Bottle Company	185,184.60
Seaboard Glass Bottle Company	138,006.03
Wightman Bottle & Glass Manuturing Company	181,542.15
Total	$1,600,259.01

Appendix B

October 17, 1942.

James A. Shanley, Esq., Receiver
Hartford Empire Company
Hartford, Connecticut

Dear Sir:

We acknowledge receipt of a letter, dated October 16, 1942, addressed to us by your attorneys, Messrs. Fraser, Effler, Shumaker & Winn, of Toledo, Ohio, in which they state, in effect, that they and you have considered the questions raised on our behalf by our counsel, Mr. Boyd, with respect to the general contract between ourselves, and our affiliated companies, and the Hartford-Empire Company, dated August 25, 1932, and with respect to the continued payment to you, as Receiver of royalties on account of the machinery and equipment covered by that agreement pending the final action upon Judge Kloeb's decision by the Supreme Court, or pending the effective date of the judgment entered on Judge Kloeb's decision if no appeal be taken. Your attorneys further state that they have consulted with the Court upon this specific matter, and that after such consideration and consultation with the Court, you and they are of the opinion that the August 25, 1932 contract was in fact and in law renewed on August 25, 1940, and is in full force and effect at the present time.

As a result, your attorneys, on your behalf, demand that we, and our affiliated companies, continue to make payments to you, as Receiver, of royalties with respect to the machinery covered by the said contract, and they state that you will set aside and ear-mark these royalty payments and hold them subject to the orders of the Court.

In response to the above letter, we are enclosing our check in the sum of $9,405.55, payable to your order,

representing the royalties due up to August 31, 1942, on account of the machinery in our possession and which was covered by the agreement of August 25, 1932. Until further order of the Court future payments to you of royalties will be made by us periodically with respect to this machinery in the same manner as they were heretofore paid to Hartford-Empire Company.

We are also today, in response to the above letter, and through our President, Mr. R. R. Underwood, instructing all of our affiliated companies who are in possession of machinery and equipment covered by the August 25, 1932 agreement, to forward to you in the immediate future payments of royalties due August 31, 1942, with respect to such machinery and equipment, and to continue such payments of royalties until further order of the Court.

All of these payments are and will be made to you with the understanding that they will be set aside and earmarked and held by you subject to the final judgment entered on October 8, 1942, in the United States District Court for the Northern District of Ohio, Western Division, in the action entitled UNITED STATES OF AMERICA v. HARTFORD-EMPIRE COMPANY, ET AL.

Furthermore, all of these royalty payments are and will be made to you by us and our affiliated companies without our creating or recognizing any rights of any kind in Hartford-Empire Company, and without prejudice to any rights which may accrue to us or our affiliated companies as a result of the above entitled action, and any disposition of the case by the Supreme Court of the United States on appeal.

Very truly yours

KNOX GLASS BOTTLE COMPANY

By R. R. UNDERWOOD

President.